

**REVIEWED**

**By SLGFD at 4:42 pm, Jan 07, 2022**

**Town of Davidson,  
North Carolina**

***Audited Financial Statements***

***For the Fiscal Year Ended June 30, 2021***

**Town Board**

*Rusty Knox, Mayor*  
*Jane Campbell, Mayor Pro Tem*  
*Jim Fuller*  
*Matthew Fort*  
*Autumn Rierson Michael*  
*David Sitton*

**Administrative and Financial Staff**

*James E. Justice, Town Manager*  
*Pieter C. Swart, III, CPA, Finance Director*

# TOWN OF DAVIDSON, NORTH CAROLINA

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor  
and Board of Commissioners  
Town of Davidson, North Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Davidson, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town'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 of 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 financial statement presentation of the financial statements.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund

information of the Town of Davidson, North Carolina as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 65 through 66 and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and the Total Pension Liability as a Percentage of Covered Payroll on pages 67 through 68, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary and Other Information***

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

The combining and individual fund 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 by us. In our opinion, based on our audit and the procedures performed as described above, the combining and individual fund 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 February 1, 2021 on our consideration of Town of Davidson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Davidson's internal control over financial reporting and compliance.

*Ann R. Craven, CPA, PLLC*

Ann R. Craven, CPA, PLLC  
Greensboro, North Carolina  
December 16, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **Management's Discussion and Analysis**

As management of the Town of Davidson, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Davidson for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

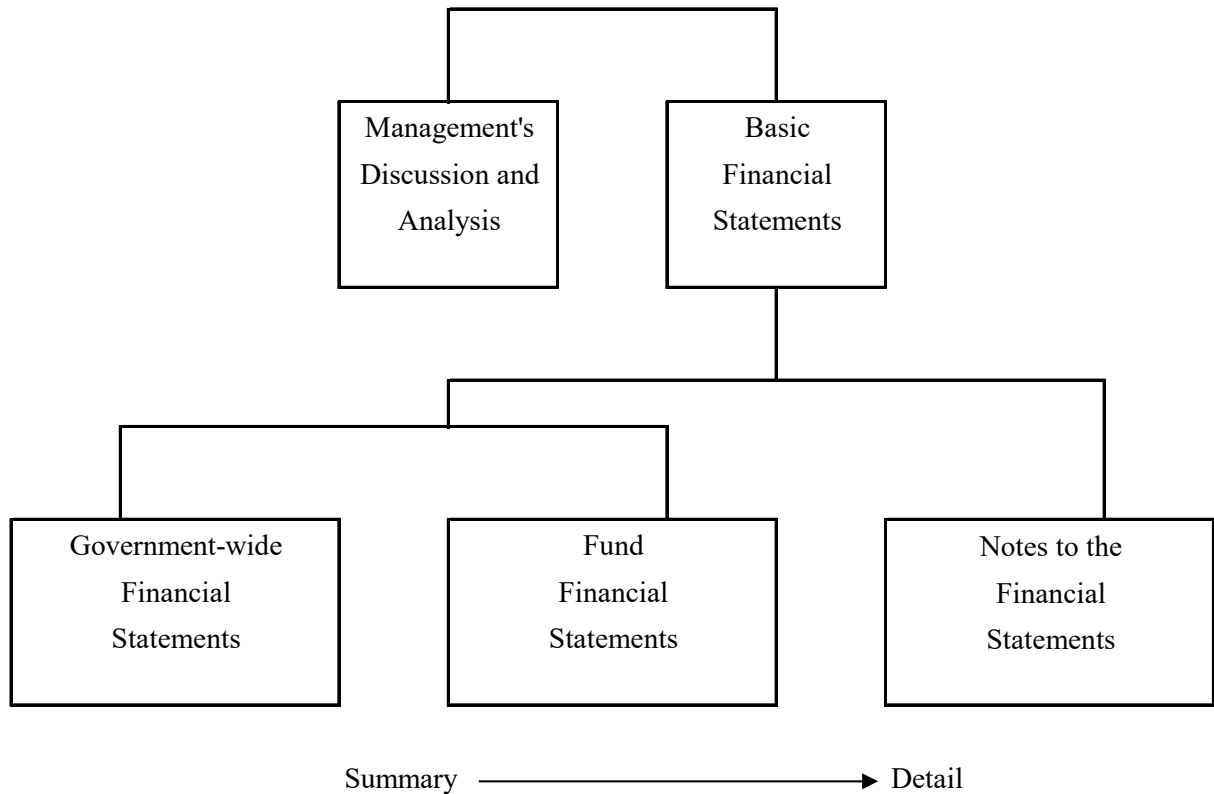
- The assets and deferred outflows of resources of the Town of Davidson exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$34,247,156 (*net position*).
- The government's total net position increased by \$2,536,330, primarily due to increases in the governmental-type activities net position.
- As of the close of the current fiscal year, the Town of Davidson's governmental funds reported combined ending fund balances of \$34,905,449, with a net change of \$19,970,394 in fund balance. Approximately 78.587 percent of this total amount or \$27,430,990 is non-spendable, restricted, committed or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,474,459 or 52.39 percent of total general fund expenditures for the fiscal year.
- The Town of Davidson's total long-term liabilities increased by \$17,579,348 (290.09%) during the current fiscal year. The key factors relative to this increase were the issuance of general obligation bonds on June 29, 2021 and new installment debt for a ladder apparatus for the fire department.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Town of Davidson'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 Davidson.

## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements; and 4) the fiduciary 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.

## Government-wide Financial Statements - Continued

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 three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the solid waste and storm-water services offered by the Town of Davidson. The Town has no component units; however, it does participate in a Joint Agency with the Town of Mooresville. (See Notes to the Financial Statements, page 61 through 62).

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Davidson, 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 Town of Davidson 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* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Davidson 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** – Town of Davidson 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. Town of Davidson uses enterprise funds to account for its solid waste and storm-water services activities. These funds are the same as those functions shown 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 begin on page 25 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 Davidson’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 63 of this report.

**Interdependence with Other Entities** – Town of Davidson depends on financial resources 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 appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

**Town of Davidson’s Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$35,906,347	\$ 15,749,256	\$ 305,569	\$ 352,002	\$ 36,211,916	\$ 16,101,258
Capital assets	26,891,887	24,192,835	-	-	26,891,887	24,192,835
Total assets	62,798,234	39,942,091	305,569	352,002	63,103,803	40,294,093
Deferred outflows of resources	1,303,290	914,752	-	-	1,303,290	914,752
Total assets and deferred outflows of resources	64,101,524	40,856,843	-	-	64,101,524	40,856,843
Long-term liabilities outstanding	24,539,707	5,509,249	-	-	24,539,707	5,509,249
Other liabilities	5,220,506	3,514,279	-	-	5,220,506	3,514,279
Total liabilities	29,760,213	9,023,528				
Deferred inflows of resources	94,156	122,489	-	-	94,156	122,489
Total liabilities and deferred inflows of resources	29,854,369	9,146,017	-	-	29,854,369	9,146,017
Net position:						
Net investment in capital assets	20,177,652	18,132,948	-	-	20,177,652	18,132,948
Restricted	1,730,132	2,632,104	-	-	1,730,132	2,632,104
Unrestricted	12,339,372	10,945,774	305,571	352,002	12,644,942	11,297,776
Total net position	\$34,247,156	\$ 31,710,826	\$ 305,571	\$ 352,002	\$ 34,552,726	\$ 32,062,828

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 Davidson exceeded liabilities and deferred

inflows of resources by \$34,552,726 as of June 30, 2021. The Town's net position increased \$2,489,898 for the fiscal year ended June 30, 2021. However, the largest portion (58.40%) reflects the Town's investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Davidson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Davidson's 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 Davidson's net position, \$1,730,132, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$12,644,942 is unrestricted.

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

- Overall, General Fund revenues exceeded expenses by over \$2.6 million. (*See Figure 3*)
- Actual revenues were over budgeted revenues by over \$1.2 million. (*See Exhibit 5.*)
- Actual expenditures were under budget by over \$3.0 million. (*See Exhibit 5.*)

**Town of Davidson's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 563,531	\$ 243,753	\$ 1,102,911	\$ 1,050,891	\$ 1,666,442	\$ 1,294,644
Operating grants and contributions	950,693	708,275	-	-	950,693	708,275
Capital grants and contributions	-	343,991	-	-	-	343,991
General revenues:						
Property taxes	8,214,276	7,781,297	-	-	8,214,276	7,781,297
Other taxes	4,556,314	3,912,170	-	-	4,556,314	3,912,170
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other	747,817	2,451,114	-	-	747,817	2,451,114
Total revenues	15,032,631	15,440,600	1,102,911	1,050,891	16,135,542	16,491,491
<b>Expenses:</b>						
General government	2,682,582	2,161,321	-	-	2,682,582	2,161,321
Public safety	4,790,324	4,548,949	-	-	4,790,324	4,548,949
Transportation	1,973,592	1,738,385	-	-	1,973,592	1,738,385
Economic development	1,434,096	2,535,000	-	-	1,434,096	2,535,000
Culture and recreation	1,353,635	1,435,644	-	-	1,353,635	1,435,644
Interest on long-term debt	186,406	231,026	-	-	186,406	231,026
Solid Waste	-	-	1,022,260	964,148	1,022,260	964,148
Stormwater	-	-	202,748	115,336	202,748	115,336
Total expenses	12,420,635	12,650,325	1,225,008	1,079,484	13,645,643	13,729,809
Increase(decrease) in net position before transfers	2,611,996	2,790,275	(122,097)	(28,593)	2,489,899	2,761,682
Transfers	(75,666)	116,070	75,666	(116,070)	-	-
Increase(decrease) in net position	2,536,330	2,906,345	(46,431)	(144,663)	2,489,899	2,761,682
Net position, July 1 (consolidated)	31,710,826	28,804,481	352,002	496,665	32,062,828	29,301,146
Net position, June 30	\$ 34,247,156	\$ 31,710,826	\$ 305,571	\$ 352,002	\$ 34,552,727	\$ 32,062,828

**Governmental Activities.** Governmental activities increased the Town's net position by \$2,536,330, thereby contributing for all the growth in the net position of the Town of Davidson. Key elements of this increase are as follows:

- Ad Valorem Tax revenues increased 5.56% over the prior fiscal year, while sales tax revenue increased 13.75%.
- Total revenues exceeded total expenses by \$2,611,996 due to carry-forward purchase orders, cost saving measures and continued attention to finding reductions in expenses.

**Business-type Activities.** Business-type activities decreased the Town's net position by \$122,098 net position.

Key elements of this decrease are as follows:

- Decrease in net position was due to the use of fund balance to pay for increased costs for the solid waste function. Fees were not decreased in prior years in anticipation of the increase in solid waste expenditures due to a new solid waste contract and increased landfill tipping fees.

### **Financial Analysis of the Town Funds**

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

**Governmental Funds.** The focus of the Town of Davidson'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 Davidson's financing requirements.

The general fund is the chief operating fund of the Town of Davidson. At the end of the current fiscal year, the Town of Davidson's fund balance available in the General Fund was \$7,474,459 while total fund balance reached \$13,266,797. The governing body of the Town of Davidson has adopted a minimum fund balance policy that instructs management to conduct business in such a manner that the unassigned fund balance be no less than 35 percent of budgeted general fund expenditures in the next fiscal year. The purpose of a minimum fund balance policy is to have an adequate balance of general funds in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 52.39% of general fund expenditures, while total fund balance represents 92.99% of the same amount.

At June 30, 2021, the governmental funds of Town of Davidson reported a combined fund balance of \$34,905,450 with a net increase in fund balance of \$19,970,394. Included in this change in fund balance are an increase in fund balance of \$2,743,751 in the General Fund, a decrease of \$195,838 in special revenue and capital project funds and an increase in the 2021 General Obligation Bond Issuance Fund of \$17,422,480.

**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.

Revenues were adjusted to reflect:

- CARES Act funding of \$270,000 to assist in the Town's response to COVID-19
- A tree inventory grant (\$9,916)
- The Board approved a mid-year revenue increase based on actual Ad Valorem and Sales and Use Tax receipts.
- Installment financing proceeds to fund the purchase of a new ladder apparatus for the Fire Department.
- An anonymous contribution to the Town.
- Appropriations of fund balance

Significant variances of actual revenues were as follows:

Expenditures were adjusted to reflect:

New projects funded from unassigned fund balance:

- Downtown Park Project
- Funding for pandemic related expenditures
- Flashing beacons at crosswalks
- Historic Preservation Plan
- Beaty Street and Grey Road Sidewalk Projects
- HAWK Signal Project

Projects funded by grants:

- Funding for pandemic related expenditures
- Tree inventory project

Significant variances of actual expenses were as follows:

- Streets and Parks projects were not completed and will be carried forward to Fiscal Year 2022.

Major capital asset transactions during the year, include the following additions:

- Purchase of Fire Department ladder apparatus
- Purchase of 3 Police Department vehicles and equipment
- Replacement of fencing at Town parks
- Completion of turn lane project

**Proprietary Funds.** The Town of Davidson's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Solid Waste Fund at the end of the fiscal year amounted to (\$17,260, and for the Storm Water Fund amounted to \$322,831. The total change in net position for the Solid Waste Fund and the Storm Water Fund was (\$42,712) and (\$3,719, respectively. The decrease in the net position of the solid waste fund was due primarily to an increase in the waste collection services contract. The storm water fee structure was evaluated in fiscal year 2014 and an increase to rates was approved for fiscal year 2015.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Town of Davidson's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$26,891,887 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Capital assets consist of:

- Land and other non-depreciable assets of \$11,303,674.
- Other capital assets (net of depreciation of \$9,279,271) total \$15,588,213.



**Town of Davidson's Capital Assets  
Net of Depreciation**

**Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 5,870,832	\$ 5,870,831	\$ -	\$ -	\$ 5,870,832	\$ 5,870,831
Buildings and systems	6,620,958	6,823,207	-	-	6,620,958	6,823,207
Improvements other than buildings	6,745,802	6,980,581			6,745,802	6,980,581
Machinery and equipment	789,157	853,217	-	-	789,157	853,217
Computers and Computer software	901	6,658	-	-	- 901	- 6,658
Vehicles and motorized equipment	1,431,395	1,540,803	-	-	1,431,395	1,540,803
Construction in progress	5,432,842	2,117,537	-	-	5,432,842	2,117,537
<b>Total</b>	<b>\$ 26,891,887</b>	<b>\$ 24,192,834</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,891,887</b>	<b>\$ 24,192,834</b>

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

**Long-term Debt.** As of June 30, 2021, the Town of Davidson had total debt outstanding of \$23,639,235. The Town of Davidson's outstanding debt increased by \$17,579,348 (290.09%) due, primarily to the issuance of general obligation bonds approved by the residents of the Town during fiscal year ended June 30, 2018 and June 30, 2020 and the issuance of new installment debt for a ladder apparatus for the fire department.

**Long-term Liabilities.** In addition to its long-term debt, the Town of Davidson is liable for long-term liabilities of \$2,916,628. Of this total amount, \$387,876 is due Town employees for compensated absences. The remaining amount of \$2,528,752 relates to the obligation for the LGERS pension plan and Law Enforcement Officers Special Separation Allowance described in detail in Note III.B.1 beginning on page 36 of this report. The Town of Davidson's other long-term liabilities increased by \$695,545 (31.316%) due, primarily, to an increase in LGERS and Law Enforcement Officers Special Separation Allowance pension liabilities.

## Town of Davidson's Outstanding Debt

**Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Installment financing	\$ 6,714,235	\$ 6,059,887	\$ -	\$ -	\$ 6,714,235	\$6,059,887
General Obligation Bonds	16,925,000	-	-	-	16,925,000	-
Total	\$23,639,235	\$ 6,059,887	\$ -	\$ -	\$ 23,639,235	\$6,059,887

### Town of Davidson's Outstanding Debt

During the fiscal year ended June 30, 2018, voters approved the issuance of \$15,000,000 of general obligation bonds.

During the fiscal year ended June 30, 2020, voters approved the issuance of \$14,000,000 of general obligation bonds.

During the fiscal year ended June 30, 2021, the Town issued \$16,925,000 of the approved general obligation bonds. At June 30, 2021, the Town of Davidson had general obligation bonds authorized but unissued of \$12,075,000.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Davidson is \$224,291,476.

Additional information regarding Town of Davidson's long-term debt and liabilities can be found in Note III.B.4 of this report.

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

The following key economic indicators reflect the growth and prosperity of the Town of Davidson:

- The Town of Davidson's unemployment rate is unavailable due to its small population; however, it does fall in Mecklenburg County which has an unemployment rate of 4.9% down from a high of 8.4% earlier in the fiscal year as compared to the rate for the State of North Carolina at 4.6% down from a high of 7.6% according to the North Carolina Department of Commerce.
- The Town continues to partner in a joint industrial park with the neighboring towns of Huntersville and Cornelius to help bring a better balance to our 81% residential/15% commercial tax base.

## **Budget Highlights for the Fiscal Year Ending June 30, 2022**

### **Governmental Activities:**

- Overall increase of 5.6% in budgeted revenues and expenses
- Projected 7.2% increase in ad valorem property tax revenue
- Projected 6.9% increase in Sales and Use Tax budget.

### **Business – type Activities:**

- User fees were put in place for collection of solid waste and storm water management in fiscal year 2010, and these funds were established as proprietary funds for the 2011 – 2012 fiscal year. The Town will carefully monitor the collection of fees to support the operations of the enterprise funds.

An approved budget booklet is available at:

<http://www.townofdavidson.org/DocumentCenter/View/11656/2022-Budget-Booklet>

### **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 Director of Finance, Town of Davidson, PO Box 579, Davidson NC 28036. You may also visit our website at [www.townofdavidson.org](http://www.townofdavidson.org) or send an e-mail to [pswart@townofdavidson.org](mailto:pswart@townofdavidson.org) for more information.

## **BASIC FINANCIAL STATEMENTS**

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Net Position*  
*June 30, 2021*

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Unrestricted cash and cash equivalents	\$ 17,515,378	\$ -	\$ 17,515,378
Taxes receivable	81,324	5,848	87,172
Due from other governments	827,663	-	827,663
Prepaid items	6,414	-	6,414
Internal balances	(299,721)	299,721	-
Restricted cash and cash equivalents	17,564,065	-	17,564,065
Total current assets	35,695,123	305,569	36,000,692
Non-current assets:			
Capital assets			
Land, non-depreciable improvements, and construction in progress	11,303,674	-	11,303,674
Other capital assets, net of depreciation	15,588,213	-	15,588,213
Total capital assets	26,891,887	-	26,891,887
Other assets			
Bond issuance costs, net of amortization	211,224	-	211,224
Total assets	62,798,234	305,569	63,103,803
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	699,949		699,949
Deferred outflows related to pensions - LEOSSA	172,270		172,270
Benefit payments and expenses - LEOSSA	9,631		9,631
Contributions to pension plan in current fiscal year	421,440	-	421,440
Total deferred outflows of resources	1,303,290	-	1,303,290
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	708,351	-	708,351
Current portion of long-term liabilities	1,983,402	-	1,983,402
Total current liabilities	2,691,753	-	2,691,753
Long-term liabilities:			
Net pension liability	1,999,690		1,999,690
Total pension liability - Separation Allowance	529,063		529,063
Due in more than one year	24,539,707	-	24,539,707
Total long-term liabilities	27,068,460		27,068,460
Total liabilities	29,760,213	-	29,760,213
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	14,362	-	14,362
Deferred inflows related to pensions - LEOSSA	79,794		79,794
Total deferred inflows of resources	94,156	-	94,156
<b>NET POSITION</b>			
Net investment in capital assets	20,177,652	-	20,177,652
Restricted for:			
Stabilization by state statute	1,588,547	-	1,588,547
Streets - Powell Bill	141,585	-	141,585
Unrestricted	12,339,372	305,571	12,644,942
Total net position	\$ 34,247,156	\$ 305,571	\$ 34,552,726

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Statement of Activities For the Fiscal Year Ended June 30, 2021*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
<i>Governmental Activities:</i>				
Public safety	\$ 4,790,324	43,585	586,926	\$ -
Economic and physical development	1,434,096	90,932	-	-
General government	2,682,582	330,370	-	-
Cultural and recreational	1,353,635	98,644	40,000	-
Transportation	1,973,592	-	323,767	-
Interest on long-term debt	186,406	-	-	-
Total governmental activities	12,420,635	563,531	950,693	-
<i>Business-type activities:</i>				
Solid Waste Fund	1,022,260	829,547	-	-
Stormwater Fund	202,748	273,364	-	-
Total business-type activities	1,225,008	1,102,911	-	-
Total primary government	\$ 13,645,643	\$ 1,666,442	\$ 950,693	\$ -
General revenues:				
Taxes				
Property taxes levied for general purposes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
Insurance recoveries				
Gain on sale of assets				
Total general revenues, not including transfers:				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning, previously reported				
Net position, ending				

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

## Exhibit 2

<b>Net (Expense) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (4,159,813)	\$ -	\$ (4,159,813)
(1,343,164)	-	(1,343,164)
(2,352,212)	-	(2,352,212)
(1,214,991)	-	(1,214,991)
(1,649,825)	-	(1,649,825)
(186,406)	-	(186,406)
<u>(10,906,411)</u>	<u>-</u>	<u>(10,906,411)</u>
-	(192,713)	(192,713)
-	70,616	70,616
<u>-</u>	<u>(122,097)</u>	<u>(122,097)</u>
<u>\$ (10,906,411)</u>	<u>\$ (122,097)</u>	<u>\$ (11,028,508)</u>
8,214,276	-	8,214,276
4,556,314	-	4,556,314
3,577	-	3,577
721,147	-	721,147
3,528	-	3,528
19,565	-	19,565
<u>13,518,407</u>	<u>-</u>	<u>13,518,407</u>
<u>(75,666)</u>	<u>75,666</u>	<u>-</u>
<u>13,442,741</u>	<u>75,666</u>	<u>13,518,407</u>
<u>2,536,330</u>	<u>(46,431)</u>	<u>2,489,899</u>
<u>31,710,826</u>	<u>352,002</u>	<u>32,062,828</u>
<u>\$ 34,247,156</u>	<u>\$ 305,571</u>	<u>\$ 34,552,727</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Balance Sheet  
Governmental Funds  
June 30, 2021*

	Major Funds			
	General Fund	MI Connection Capital Project Fund	Affordable Housing Special Revenue Fund	2021 GO Bond Issuance Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 13,299,206	\$ 2,597,597	\$ 994,342	\$ -
Restricted cash	141,585	-	-	17,422,480
Taxes receivable	81,324	-	-	-
Due from other governments	827,663	-	-	-
Prepaid items	6,414	-	-	-
Total assets	<u>\$ 14,356,192</u>	<u>\$ 2,597,597</u>	<u>\$ 994,342</u>	<u>\$ 17,422,480</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	708,350	-	-	-
Due to other funds	299,721	-	-	-
Total liabilities	<u>1,008,071</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes receivable	81,324	-	-	-
Total deferred inflows of resources	<u>81,324</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by state statute	1,945,073	-	-	
Streets - Powell Bill	141,585	-		
Future GO Bond Projects				17,422,480
Committed				
Specified purposes (Note V)	733,921	-		
Special projects	-	2,597,597	809,342	
Unspendable				
Prepaid items	6,414	-		
Assigned				
Subsequent year's expenditures	-	-	185,000	
Community investment fund (CIF)	786,483			
General Obligation Bond Debt Service	2,178,862			
Unassigned	7,474,459	-	-	-
Total fund balances	<u>13,266,797</u>	<u>2,597,597</u>	<u>994,342</u>	<u>17,422,480</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,356,192</u>	<u>\$ 2,597,597</u>	<u>\$ 994,342</u>	<u>\$ 17,422,480</u>

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



**Exhibit 3**

<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ 624,233	17,515,378
-	17,564,065
-	81,324
-	827,663
-	6,414
<u>\$ 624,233</u>	<u>\$ 35,994,844</u>
	708,350
-	299,721
<u>-</u>	<u>1,008,071</u>
-	81,324
<u>-</u>	<u>81,324</u>
-	1,945,073
-	141,585
	17,422,480
-	733,921
624,233	4,031,172
-	6,414
-	185,000
	786,483
	2,178,862
-	7,474,459
<u>624,233</u>	<u>34,905,449</u>
<u>\$ 624,233</u>	<u>\$ 35,994,844</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Reconciliation of Balance Sheet of  
Governmental Funds to the Statement of Net Position  
For the fiscal year ended June 30, 2021***

Total fund balances

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:  
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statement.

Gross capital assets at historical cost  
Accumulated depreciation  
Unamortized bond premium  
Unamortized bond issuance costs

Deferred outflows of resources related to pensions  
are not reported in the funds

Unamortized bond premium

Long-term liabilities used in governmental activities are not financial uses and, therefore, are not reported in the funds statement. Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).

Liabilities for earned revenues considered deferred inflows of resources.

Deferred inflows of resources related to pensions  
are not reported in the funds

**Net position of governmental activities**

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

**Exhibit 3**  
**Continued**

\$ 34,905,449

\$ 36,171,158  
(9,279,271)

26,891,887  
(2,496,004)  
211,224

1,303,290

(26,555,859)

81,324

(94,156)

\$ 34,247,156

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds*

*For the Fiscal Year Ended June 30, 2021*

	Major Funds			
	General Fund	MI Connection Capital Project Fund	Affordable Housing Special Revenue Fund	2021 GO Bond Issuance Fund
<b>REVENUES</b>				
Ad valorem taxes	\$ 8,133,272	\$ -	\$ -	\$ -
Other taxes	132,129	-		
Unrestricted intergovernmental	3,865,153	-		
Restricted intergovernmental	920,891	-		
Permits and fees	322,408	-		
Sales and services	443,082	-		
Investment earnings	3,577	-	185	4
Miscellaneous	776,140	-	331,875	
Total revenues	14,596,652	-	332,060	4
<b>EXPENDITURES</b>				
Current:				
Public safety	5,977,845	-		
Transportation	1,649,367	-		
General government	2,410,844	-		
Culture and recreation	1,393,151	-		
Economic and physical development	1,950,038	36,414	74,775	-
Debt Service:				
Principal retirement	698,652	-		-
Interest and other charges	186,406	-		-
Total expenditures	14,266,302	36,414	74,775	-
Excess (deficiency) of revenues over expenditures	330,350	(36,414)	257,285	4
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	1,353,000	-		
Proceeds from insurance claims	3,528			
Proceeds from disposal of assets	19,565	600,287		
Proceeds from issuance of GO Bonds				16,925,000
Premium on GO Bonds				2,496,003
GO Bond issuance cost				(211,224)
Transfers (to)/from other funds	1,037,308	-	11,603	(1,787,302)
Total other financing sources	2,413,401	600,287	11,603	17,422,477
Net change in fund balance	2,743,751	563,873	268,888	17,422,481
Fund balance, beginning	10,523,046	2,033,724	725,454	-
Fund balance, end of year	\$ 13,266,797	\$ 2,597,597	\$ 994,342	\$ 17,422,481

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

**Exhibit 4**

<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,133,272
	132,129
	3,865,153
-	920,891
-	322,408
-	443,082
-	3,766
-	1,108,015
-	14,928,716
-	5,977,845
-	1,649,367
-	2,410,844
36,281	1,429,432
1,124,400	3,185,627
-	698,652
-	186,406
1,160,681	15,538,172
(1,160,681)	(609,456)
-	1,353,000
	3,528
-	619,852
	16,925,000
	2,496,003
	(211,224)
132,082	(606,309)
132,082	20,579,850
(1,028,599)	19,970,394
1,652,832	14,935,056
\$ 624,233	\$ 34,905,450

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
to the Statement of Activities of Governmental Funds  
For the Fiscal Year Ended June 30, 2021***

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized

Depreciation expense for governmental assets

Bond issuance cost which was capitalized

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities

Benefit payments paid and administrative expense for the LEOSA are not included on the Statement of Activities

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

General Obligation Bonds Issued

New long-term debt issued

Principal payments on long-term debt

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures.

Compensated absences

Net pension obligation

Total changes in net position of governmental activities

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

**Exhibit 4**  
**Continued**

\$ 19,970,394

3,707,018

(1,007,965)

2,699,053

-

421,440

9,631

9,686

(16,925,000)

(1,353,000)

698,652

(17,579,348)

5,545

(715,291)

(709,746)

\$ 4,821,109

## TOWN OF DAVIDSON, NORTH CAROLINA

## General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with Final Budget- Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 7,855,530	\$ 7,983,280	\$ 8,133,272	\$ 149,992
Other taxes	347,248	154,000	132,129	(21,871)
Unrestricted intergovernmental	3,372,096	3,674,096	3,865,153	191,057
Restricted intergovernmental	642,150	922,066	920,891	(1,175)
Permits and fees	55,800	250,298	322,408	72,110
Sales and services	187,250	179,450	443,082	263,632
Investment earnings	100,000	4,000	3,577	(423)
Miscellaneous	157,000	202,000	776,140	574,140
Total revenues	12,717,074	13,369,190	14,596,652	1,227,462
<b>Expenditures:</b>				
Current:				
Public safety	4,813,632	6,445,585	5,977,845	467,740
Transportation	1,603,317	1,766,478	1,649,367	117,111
General government	2,238,120	2,757,141	2,410,844	346,297
Culture and recreation	1,436,454	1,794,507	1,393,151	401,356
Economic and physical development	1,011,711	3,648,923	1,950,038	1,698,885
Debt service:				
Principal retirement	666,538	666,538	698,652	(32,114)
Interest and other charges	184,697	184,697	186,406	(1,709)
Contingency	-	50,000	-	50,000
Total expenditures	11,954,469	17,313,869	14,266,302	3,047,567
Revenues over (under) expenditures	762,605	(3,944,679)	330,350	4,275,029
<b>Other financing sources (uses):</b>				
Proceeds from debt	-	1,355,000	1,353,000	2,000
Proceeds from insurance claims	-	-	3,528	3,528
Proceeds from disposal of assets	-	10,000	19,565	9,565
Transfers to other funds	(1,165,805)	(1,996,805)	1,037,308	3,034,113
Total other financing sources (uses)	(1,165,805)	(631,805)	2,413,401	3,045,206
Fund balance appropriated	406,000	3,755,484	-	(3,755,484)
Net change in fund balance	\$ 2,800	\$ (821,000)	2,743,751	\$ 3,564,751
Fund balance, beginning			10,523,046	
Fund balance, end of year			\$ 13,266,797	

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



## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Net Position*  
*Proprietary Funds*  
*June 30, 2021*

	Major Fund Solid Waste	Proprietary Funds Non-Major Fund Stormwater	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accounts receivable, net	5,848	-	5,848
Due from other funds	-	322,831	322,831
Total current assets	5,848	322,831	328,679
Total assets	\$ 5,848	\$ 322,831	\$ 328,679
LIABILITIES			
Current liabilities:			
Accounts payable	-	-	-
Due to other funds	23,108	-	23,108
Total current liabilities	\$ 23,108	\$ -	\$ 23,108
NET POSITION			
Unrestricted	(17,260)	322,831	305,571
Total net position	\$ (17,260)	\$ 322,831	\$ 305,571

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Revenues, Expenses and Changes in Fund Net Position*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2021*

	Proprietary Funds		
	Major Fund	Non-Major Fund	
	Solid Waste	Stormwater	Total
<b>OPERATING REVENUES</b>			
Solid waste management fee	\$ 829,547	\$ -	\$ 829,547
Stormwater management fee	-	273,363	273,363
Total operating revenues	829,547	273,363	1,102,910
<b>OPERATING EXPENSES</b>			
Operations	1,022,259	202,748	1,225,007
Total operating expenses	1,022,259	202,748	1,225,007
Income (loss) before contributions and transfers	(192,712)	70,615	(122,097)
Grant proceeds	-	-	-
Transfers to other funds	150,000	(74,334)	75,666
Change in net position	(42,712)	(3,719)	(46,431)
Total net position, beginning	25,452	326,550	352,002
Total net position, ending	\$ (17,260)	\$ 322,831	\$ 305,571

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

## TOWN OF DAVIDSON, NORTH CAROLINA

*Statement of Cash Flows*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2021*

	Proprietary Funds		Total
	Major Fund Solid Waste	Non-Major Fund Stormwater	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 829,547	\$ 273,363	\$ 1,102,910
Cash paid for goods and services	(1,022,259)	(202,748)	(1,225,007)
Net cash provided (used) by operating activities	(192,712)	70,615	(122,097)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Grant revenue	-	-	-
Net due to (from) General Fund	192,713	(70,615)	122,098
Net increase (decrease) in cash and cash equivalents	-	-	-
Balances, beginning	-	-	-
Balances, ending	\$ -	\$ -	\$ -

	Proprietary Funds		Total
	Major Fund Solid Waste	Non-Major Fund Stormwater	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (192,712)	\$ 70,615	\$ (122,097)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Change in assets and liabilities			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable	-	-	-
Total adjustments	-	-	-
Net cash provided (used) by operating activities	\$ (192,712)	\$ 70,615	\$ (122,097)

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

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Davidson conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

#### **A. Reporting Entity**

The Town of Davidson is a municipal corporation that is governed by an elected mayor and five commissioners. As required by generally accepted accounting principles, these financial statements present the Town which has no component units.

#### **B. Basis of Presentation**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between *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, proprietary and fiduciary* - 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 non-major 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 DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Town reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, various other taxes and licenses and State grants. The primary expenditures are for public safety and street maintenance and construction.

**MI Connection Capital Project Fund.** This fund is used to account for the operations of the Town's share of MI Connection.

**Special Revenue Fund – Affordable Housing Program.** This fund is used to account for the operations of the Town's affordable housing program.

**2021 General Obligations Bond Issuance Fund.** This fund is used to account for revenues and expenditures related to the issuance of General Obligation Bonds issued on June 29, 2021.

The Town reports the following non-major governmental funds:

**Special Revenue Fund.** These funds are used to account for funds that are restricted for use for a particular purpose. The Town's one Special Revenue Funds: Public Art Project.

**Capital Project Funds.** These funds are used to account for the construction, improvements and repairs for various projects within Town limits. The Town has three Capital Project Funds: Potts-Sloan-Beaty Corridor Project, Parks/Greenway Project and Public Facilities Project.

The Town reports the following major enterprise fund:

**Solid Waste Fund.** This fund is used to account for the Town's solid waste operations.

The Town reports the following non-major enterprise fund:

**Storm-water Fund.** The fund is used to account for the Town's storm-water operations.

#### **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, and donations.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise fund 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 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 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 Davidson because the tax is levied by Mecklenburg County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues, which are unearned at year-end, are recorded as unearned 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 positions 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.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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 Funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Funds and Capital Projects Funds. 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 project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations within a fund by more than 10 percent of the function that is being reduced. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity**

###### **1. Deposits and Investments**

All deposits of the Town 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 Board 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 Town's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, 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.

###### **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)

##### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4.

##### Town of Davidson Restricted Cash

##### Governmental Activities

##### General Fund

Streets	\$ 141,585
Total Restricted Cash	<u>\$ 141,585</u>

##### 4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

##### 5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. No allowance for doubtful accounts was required at June 30, 2021.

##### 6. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

##### **7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000 for the following: land, buildings, and improvements, infrastructure, furniture and equipment, computers and computer software, and vehicles. Purchased or constructed capital assets are reported at cost or estimated historical cost.

The Town has elected not to adopt retroactive capitalization of general infrastructure assets acquired prior to July 1, 2003, pursuant to GASB 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40-75
Other improvements	15-75
Vehicles and motorized equipment	5-15
Equipment	3-10
Computers	3-5
Computer software	3-5

##### **8. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents 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 of Davidson has two items that meet this criterion - contributions made to the pension plan in the 2021 fiscal year and pension deferrals for the 2020 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town of Davidson has two items that meet the criterion for this category – property taxes receivable and pension deferrals.

##### **9. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)

###### 10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide financial statements, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

###### 11. Net Position/Fund Balances

###### Net Position

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

###### Fund Balances

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

The governmental fund types classify fund balances as follows:

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.

Prepaid Items – portion of fund balance that is not an available resource because it represents prepaid expenditures that are not in spendable form.

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

Restricted for Stabilization by state statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance.

***-Continued-***

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

##### **11. Net Position/Fund Balances (Continued)**

###### Restricted Fund Balance (continued)

Restricted for Stabilization by state statute (continued) – This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction in "imposed by 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 - Powell Bill - portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

Committed pursuant to specified purposes – portion of fund balance that has been committed for specified purposes. See Note V.B (See page 58).

Committed to Non-major funds – portion of fund balance that has been committed to special projects in non-major funds.

Committed to major funds - portion of fund balance that has been committed to MI Connection and the Affordable Housing Program.

Assigned fund balance – portion of fund balance that Town of Davidson intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Assets, Liabilities, Deferred inflows of Resources, and Fund Equity (Continued)**

##### **11. Net Position/Fund Balances (Continued)**

Assigned fund balance (continued) – The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within departments, not to exceed 10% of the appropriated monies in the departments.

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

The Finance Officer uses resources in the following hierarchy; bond proceeds, federal funds, state funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed, in order, by committed fund balance, assigned fund balance and lastly unassigned fund balance.

The Town of Davidson adopted a minimum fund balance policy for the general fund which instructs management to conduct business in such a manner that the unassigned fund balance should not be less than 35 percent of budgeted general fund expenditures in the following fiscal year.

##### **12. Pensions**

For purposes of measuring the net pension asset, 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 Davidson's employer contributions are recognized when due and the Town of Davidson has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

##### **13. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **14. Total Governmental Fund Columns**

In the accompanying financial statements, the "Total Governmental Funds" columns are not the equivalent of consolidated totals and do not represent consolidated financial information. These columns are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Inter-fund eliminations have not been made in the aggregation of this data. However, the reconciliations to net position are reflective of inter-fund eliminations and reflect financial position.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **II. Stewardship, Compliance, and Accountability**

##### A. Significant Violations of Finance-Related Legal and Contractual Provisions

###### 1. Non-Compliance with North Carolina General Statutes

None

##### B. Deficit Fund Balance or Net Position of Individual Funds

None

##### C. Excess of Expenditures over Appropriations

None

#### **III. Detail Notes on All Funds**

##### A. Assets

###### 1. Deposits

All the deposits of the Town of Davidson 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 the 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 agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$(196,630) and a bank balance of \$274,938. Of the bank balance, all of it was covered by federal depository insurance and the remainder was covered under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$1,000.

*-Continued-*

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds**

##### **2. Investments**

At June 30, 2021, the Town of Davidson had \$35,275,072 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as of June 30, 2021. The Town has no policy regarding credit risk.

##### **3. Note Receivable**

In 1999 the Town entered into an agreement to make loans of up to \$250,000 to a non-profit corporation which acquires homes for resale to low income families. Monthly interest payments are made to the Town with the principal due in full upon resale of the house. This agreement was amended in May 2010 to reduce the loans available from \$250,000 to \$50,000. The agreement provides for loans to be repaid in 1 to 4 years based on the nonprofit's projection of when the house will be sold. At June 30, 2021, the Town had no loans with regard to this agreement. The final loan was paid off during the fiscal year ended June 30, 2021.

##### **4. Lease Income**

In 1995, the Town entered into a 50-year lease agreement to lease a building to Mecklenburg County Public Library System for a base rent of an amount sufficient to amortize improvement costs, to be reduced to \$1 when fully amortized. Costs are fully amortized and base rent is \$1 per year. In addition, the agreement calls for annual rental payments of \$1,500 for the duration of the contract.

In February 2008, the Town entered a lease agreement to lease a building to a local theatre group for a base rent of \$25,600 for the first year and scheduled increases to \$26,184 per year for the following four years and \$27,504 until the end of the lease in February 2018. The lease contains two options to extend for an additional five years each, with an increase of 5%. The tenant exercised the option to extend the lease for 5 years until the end of the lease in February 2023 with an increase in rent to \$28,879. Lease income received for the year ended June 30, 2021 was \$28,879.

In June 2015, the Town entered into a lease agreement to lease land to a local restaurant for a base rent of \$2,400 annually and adjusted annually for changes in the Consumer Price Index for all urban consumers, food and beverage average. The lease expires in June 2025. Lease income received during the fiscal year ended June 30, 2021 was \$2,400.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds

#### A. Assets

##### 1. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	(Decreases) Transfers	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 5,870,832	\$ -	\$ -	\$ 5,870,832
Construction in Progress	2,117,537	3,315,305	-	5,432,842
Total capital assets not being depreciated	7,988,369	3,315,305	-	11,303,674
<b>Capital assets being depreciated:</b>				
Buildings	8,641,088	-	-	8,641,088
Other improvements	9,443,617	99,014	-	9,542,631
Equipment	1,906,999	66,606	-	1,973,605
Computers and software	99,008	-	-	99,008
Vehicles and motorized equipment	4,497,192	226,093	112,133	4,611,152
Total capital assets being depreciated	24,587,904	391,713	112,133	24,867,484
<b>Less accumulated depreciation for:</b>				
Buildings	1,817,882	202,248	-	2,020,130
Other improvements	2,463,036	333,793	-	2,796,829
Equipment	1,053,782	130,666	-	1,184,448
Computers and software	92,350	5,757	-	98,107
Vehicles and motorized equipment	2,956,389	335,501	112,133	3,179,757
Total accumulated depreciation	8,383,439	1,007,965	112,133	9,279,271
Total capital assets being depreciated, net	16,204,465			15,588,213
<b>Governmental activity capital assets, net</b>	<u>\$ 24,192,834</u>			<u>\$ 26,891,887</u>
General government		\$ 221,019		
Public safety		241,112		
Transportation		395,140		
Economic and physical development		20,093		
Culture and recreation		130,602		
Total depreciation expense		<u>\$ 1,007,965</u>		

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## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities**

##### **1. Pension Plan Obligations**

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

*Plan Description.* The Town of Davidson is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Government Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410 or by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. 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).



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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 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. Town of Davidson 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 Davidson's contractually required contribution rate for the year ended June 30, 2021, was 10.25% of compensation for law enforcement officers and 10.84% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Davidson were \$441,240 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$1,999,689. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation.

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### **III. Detail Notes on All Funds (Continued)**

#### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was .05419%, which was a decrease of 0.00073% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$692,697. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 252,526	\$ -
Changes of assumptions	148,816	-
Net difference between projected and actual earnings on pension plan investments	281,403	-
Changes in proportion and differences between Town of Davidson contributions and proportionate share of contributions	17,206	14,362
Town of Davidson contributions subsequent to the measurement date	421,440	-
Total	<u>\$ 1,121,391</u>	<u>\$ 14,362</u>

\$441,240 reported as deferred outflows of resources related to pensions resulting from Town of Davidson contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### **Year ended June 30:**

2022	\$ 194,618
2023	257,596
2024	150,094
2025	83,281
2026	-
Thereafter	-
	<u>\$ 685,589</u>

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **a. Local Governmental Employees' Retirement System (Continued)**

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.

*Sensitivity of the Town of Davidson share of the net pension asset to changes in the discount rate.* The following presents the Town of Davidson's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town of Davidson's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	<b><u>1% Decrease (6.00%)</u></b>	<b><u>Discount Rate (7.00%)</u></b>	<b><u>1% Increase (8.00%)</u></b>
Town's proportionate share of the net pension liability (asset)	\$ 4,057,151	\$ 1,999,690	\$ 289,793

*Pension Plan fiduciary net position.* Detail information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

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

##### **1. Plan Description**

The Town of Davidson 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 increase in salary or retirement allowances that may be authorized by the General Assembly. Article 12 D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance’s membership consisted of:

Retirees receiving benefits.	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	23
Total	<u>25</u>

##### **2. 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 following criteria which are outlined in GASB Statement 73.

##### **3. Actuarial Assumptions**

The entry age 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 in the measurement:

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **b. Law Enforcement Officers Special Separation Allowance (Continued)**

Inflation	2.50 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

##### **4. *Contributions.***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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'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 \$33,058 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$529,063. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$56,452.

	<b>Deferred Outflows of</b>	<b>Deferred Inflows of</b>
Differences between expected and actual experience	\$ 21,609	\$ 69,821
Changes of assumptions	150,661	9,973
Town benefit payments and plan administrative expense made subsequent to the measurement date	9,631	-
Total	<u>\$ 181,901</u>	<u>\$ 79,794</u>

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# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

\$9,631 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2022	\$15,687
2023	15,164
2024	7,283
2025	18,442
2026	27,334
Thereafter	8,566
	<u>\$92,476</u>

*Sensitivity of the Town's total pension liability to changes in the discount rate.*

The following presents the Town's total pension liability calculated using the discount rate of 3.13%, 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 (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current rate.

	<b>1% Decrease (.93%)</b>	<b>Discount Rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 578,783	\$ 529,063	\$ 483,461

<b>Schedule of Changes in Total Pension Liability Law Enforcement Officers' Special Separation Allowance</b>	
<b>Beginning Balance as of December 31, 2019</b>	\$ 347,774
Service Cost	29,979
Interest on the total pension liability	10,786
Changes of benefit terms	-
Differences between expected and actual experience	14,311
Changes of assumptions or other inputs	160,071
Benefit payments	(33,858)
Other changes	-
<b>Ending Balance as of December 31, 2020</b>	<u>\$ 529,063</u>

*-Continued-*

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### b. Law Enforcement Officers Special Separation Allowance (Continued)

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

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

##### c. 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 all pension plans.

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension Expense	\$ 692,697	\$ 56,452	\$ 749,149
Pension Liability	1,999,689	529,063	2,528,752
Proportionate share of the net pension liability	0.05596%	N/A	
Deferred Outflows of Resources			
Differences between expected and actual experience	252,526	21,609	274,135
Changes of Assumptions	148,816	150,661	299,477
Net difference between projected and actual earnings on plan investments	281,403		-
Changes in proportion and differences between contributions and proportionate share of contributions	17,206	-	17,206
Benefit payments and administrative costs paid subsequent to the measurement date	421,440	9,631	431,071
Deferred Inflows of Resources			
Differences between expected and actual experience	-	69,821	69,821
Changes of Assumptions	-	9,973	9,973
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,362	-	14,362

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## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **1. Pension Plan Obligations (Continued)**

##### **d. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town made contributions of \$67,328 for the year ended June 30, 2021.

The Town has elected to contribute to the Supplemental Retirement Insurance Plan for non-law enforcement employees. The Town made contributions of \$121,405 for the year ended June 30, 2021.

##### **e. Firefighter's and Rescue Squad Workers' Pension Fund**

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Davidson, to the Firefighter's and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's and Rescue Squad Workers' Pension Fund is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month.

**-Continued-**

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### III. Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued)

##### 1. Pension Plan Obligations (Continued)

##### e. Firefighter's and Rescue Squad Workers' Pension Fund (continued)

*Benefits Provided (continued).* Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the plan unless the firefighter is not covered by another agency. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2021, the State contributed \$18,652,000 to the plan. The Town of Davidson's proportionate share of the State's contribution is \$3,246.

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

##### f. 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 may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payrolls, based upon rates established by the State. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds (Continued)

#### B. Liabilities (Continued)

#### 2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
<i>Local Government Employees Retirement Plan:</i>	
Contributions to pension plan in current fiscal year	\$ 421,440
Differences between expected and actual experience	252,526
Changes of assumptions	148,816
Net difference between projected and actual	281,403
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,206
<i>Law Enforcement Officers' Special Separation Allowance:</i>	
Benefit payments made and administrative expenses for LEOSSA	9,631
Differences between expected and actual experience	69,821
Changes of assumptions	9,973
	\$ 1,210,816

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

Source	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ -	\$ -
Property taxes receivable (General Fund)		81,324
<i>Local Government Employees Retirement Plan:</i>		
Differences between expected and actual experience	-	
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,362	
<i>Law Enforcement Officers' Special Separation Allowance:</i>		
Differences between expected and actual experience	69,821	
Changes of assumptions	9,973	
	\$ 94,156	\$ 81,324

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## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### III. Detail Notes on All Funds (Continued)

##### B. Liabilities (Continued)

##### 3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The fire apparatus and equipment is insured by VFIS. All other liability and property exposures are reinsured through commercial companies for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the board of Trustees can be obtained by contacting the Risk Management Services Department of NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town of Davidson does not carry flood insurance, as they are not in a designated flood zone.

In accordance with G.S. 159-29, the Town's employees that have access to one hundred dollars (\$100) or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$75,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **III. Detail Notes on All Funds (Continued)**

##### **B. Liabilities (Continued)**

##### **4. Long-Term Obligations**

##### **a. Operating Lease**

1. In October 1997, the Town entered into a 25-year lease agreement for land and improvements referred to as the Beaver Dam Lease. The following is a schedule of minimum lease payments required under the lease:

<u>Year Ending June 30,</u>	
2022	9,940
2023	4,570
Total	<u>\$ 14,510</u>

Lease expense for the land and improvements was \$9,940 for the year ended June 30, 2021.

With respect to this same property and with the consent of the lessor, the Town entered into an operation and management agreement with a local organization. This agreement called for quarterly payments to the Town totaling \$10,000 per year, through December 31, 2012. The agreement was renewed and extended through the end of the lease in October 2023, with semi-annual payments of \$6,000. For the year ended June 30, 2021, \$9,300 in cash and in-kind services was received by the Town with respect to this agreement.

2. In January 2006, the Town entered into a lease agreement with Mecklenburg County for 34.34 acres of land to be used as a “joint venture” park with the County. The cost of the lease to the Town was \$1. The lease remains in effect until February 1, 2105.
3. Also in 2006, the Town entered into a lease agreement with Mecklenburg County for several parcels for land which will be purchased by the County to be used in the Davidson greenway system. The cost of the lease to the Town was \$1. The lease remains in effect until 2046.

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes

1. In November 2012, the Town refinanced the original December 2002 \$2,000,000 seller financed loan for the purchase of the Fisher Farm property. The debt was refinanced through a financial institution in the amount of \$1,237,882. The loan agreement requires 120 monthly payments of \$10,230, plus interest through December 30, 2022. The annual interest is 2.49%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$3,630 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	122,765	3,184
2023	61,383	446
	<u>\$ 184,148</u>	<u>\$ 3,630</u>

2. In November 2012, the Town entered into a loan modification agreement to the original January 2008 loan with a bank. The original loan totaling \$625,000 was for the purchase of the Armour Street Theater building. The loan modification agreement amended the original agreement, including the payments and the interest rate. The modification agreement requires 31 semi-annual payments of \$15,625 plus interest through January 2028. The annual interest rate is 3.21%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$26,333 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	31,250	6,771
2023	31,250	5,768
2024	31,250	4,765
2025	31,250	3,762
2026	31,250	2,759
Thereafter	62,500	2,508
Total	<u>\$ 218,750</u>	<u>\$ 26,333</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

3. In September 2016, the Town obtained a \$222,629 loan from a bank to purchase a street sweeper. The loan agreement requires 7 annual payments of \$33,830, including interest through May 2023. The annual interest rate is 1.75%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$1,736 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	32,676	1,154
2023	33,248	582
	<u>\$ 65,924</u>	<u>\$ 1,736</u>

4. In October 2016, the Town obtained a construction loan for \$2,000,000 through a local bank for the construction of a fire station. The loan agreement required 2 payments of interest only beginning May 1, 2017 and 13 annual payments thereafter, including interest of 2.290%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$193,963 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	154,000	35,266
2023	154,000	31,739
2024	154,000	28,213
2025	154,000	24,686
2026	154,000	21,160
Thereafter	770,000	52,899
Total	<u>\$ 1,540,000</u>	<u>\$ 193,963</u>

*-Continued-*

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

5. In October 2017, the Town obtained a \$194,750 loan from a bank to purchase police and fire radios. The loan agreement requires 7 annual payments of \$30,328, including interest through October 2024. The annual interest rate is 2.23%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$6,474 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	27,767	2,561
2023	28,387	1,942
2024	29,020	1,309
2025	29,667	662
Total	<u>\$ 114,841</u>	<u>\$ 6,474</u>

In March 2018, the Town obtained a \$284,488 loan from a bank to purchase a tanker apparatus for the fire department. The loan agreement requires 10 annual payments of \$33,066, including interest through January 2028. The annual interest rate is 3.16%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$26,688 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	26,595	6,471
2023	27,435	5,630
2024	28,302	4,763
2025	29,197	3,869
2026	30,119	2,947
Thereafter	63,124	3,008
	<u>\$ 204,772</u>	<u>\$ 26,688</u>

*-Continued-*



**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

6. In September 2018, the Town obtained a \$104,090 loan from a bank to purchase a backhoe for the Public Works department. The loan agreement requires 8 annual payments of \$15,080, including interest through September 2026. The annual interest rate is 3.42%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$9,914 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	12,323	2,755
2023	12,745	2,334
2024	13,181	1,898
2025	13,631	1,447
2026	14,097	981
Thereafter	14,580	499
	<u>\$ 80,557</u>	<u>\$ 9,914</u>

7. In December 2018, the Town obtained a \$2,550,000 loan from a bank to purchase property located at 251 South Street for a new administration building. The loan agreement requires 4 annual payments of \$135,000 and 15 annual payments of \$134,000, plus interest through December 2038. The annual interest rate was 3.86% and was restructured in May 2021 with an interest rate of 2.76%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$632,594 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	135,000	66,654
2023	135,000	62,928
2024	135,000	59,202
2025	134,000	55,476
2026	134,000	51,778
Thereafter	1,742,000	336,556
	<u>\$ 2,415,000</u>	<u>\$ 632,594</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

b. Installment Notes (Continued)

8. In January 2019, the Town obtained a \$618,275 loan from a bank to purchase a pumper truck for the fire department. The loan agreement requires 8 annual payments of \$98,714, including interest through January 2027. The annual interest rate is 2.86%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$55,040 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	83,349	15,365
2023	85,733	12,981
2024	88,185	10,529
2025	90,707	8,007
2026	93,301	5,413
Thereafter	95,969	2,745
	<u>\$ 537,244</u>	<u>\$ 55,040</u>

9. In March 2021, the Town obtained a \$1,353,000 loan from a bank to purchase a 2022 Ladder Apparatus for the fire department. The loan agreement requires 15 increasing payments of principal plus interest through March 2036. The annual interest rate is 1.50%.

Annual debt service payments of the installment financing as of June 30, 2021, including \$172,219 of interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2022	-	20,126
2023	87,000	19,972
2024	89,000	18,653
2025	90,000	17,318
2026	92,000	15,960
Thereafter	995,000	80,190
	<u>\$ 1,353,000</u>	<u>\$ 172,219</u>

**-Continued-**

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021*

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**III. Detail Notes on All Funds (Continued)**

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

c. General Obligation Bonds

Voters approved 3 bond orders in 2017 totaling \$15 million; \$6 million for mobility, \$5 million for Greenways and \$4 million for Parks. The voters approved a bond order in 2019 for \$14 million for Public Facilities for a total of \$29,000,000.

On June 29, 2021, \$16,925,000 General Obligation Public Improvement Bonds, Series 2021 to be serviced by the governmental funds were issued. All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town of Davidson. Principal and interest requirements are appropriated when due.

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 845,000	\$ 569,611
2023	845,000	575,400
2024	845,000	533,150
2025	850,000	490,900
2026	845,000	448,400
2027 - 2031	4,230,000	1,607,500
2032 - 2036	4,240,000	711,000
2037 - 2041	4,225,000	253,500
Total	<u>\$16,925,000</u>	<u>\$ 5,189,461</u>

*-Continued-*

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### **III. Detail Notes on All Funds (Continued)**

#### **B. Liabilities (Continued)**

#### **4. Long-Term Obligations (Continued)**

#### **d. Changes in Long-Term Liabilities**

	Balance July 01, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental Activities:					
Installment notes	\$ 4,365,887	\$ 1,353,000	\$ 544,652	\$ 5,174,235	\$ 471,726
Fire Station #2	1,694,000	-	154,000	1,540,000	154,000
Compensated absences	393,421	-	5,545	387,876	387,876
Net pension obligation (LGERS)	1,479,888	519,801	-	1,999,689	-
Net pension obligation (LEO)	347,774	181,289	-	529,063	-
General Obligation Bonds	-	16,925,000	-	16,925,000	845,000
GO bond premium	-	2,496,003	-	2,496,003	124,800
Governmental Activity:					
Long-term liabilities	\$ 8,280,970	\$ 21,475,093	\$ 704,197	\$ 29,051,866	\$ 1,983,402

Compensated absences and pension liabilities typically have been liquidated in the General Fund.

#### **C. Inter-fund Balances and Activity**

#### **1. Balances due to/from other funds at June 30, 2021, consist of the following:**

Due from the General Fund for its activity allocation to:

	Receivable	Payable
Stormwater Fund	\$ -	\$ 322,831
Solid Waste Fund	23,108	0
Total	<u>\$ 23,108</u>	<u>\$ 322,831</u>

The inter-fund balances resulted from a time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

*-Continued-*

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds (Continued)

#### C. Interfund Balances and Activity (Continued)

2. Transfers (to)/from other funds at June 30, 2021, consist of the following:

From the General Found to the Public Art Project Special Revenue Fund	\$ (36,281)	\$ 36,281
From the General Fund to the MI Connection Capital Project Fund	(36,414)	36,414
From the General Fund to the Parks/Greenway Capital Project Fund	(10,000)	10,000
From the General Fund to the Solid Waste Fund	(150,000)	150,000
From the Stormwater Fund to the General Fund	74,335	(74,335)
From the General Fund to the Public Facilities Capital Project Fund	(122,082)	122,082
From the GO Bond Fund to the General Fund	1,787,302	(1,787,302)
From the General Fund to Affordable Housing Special Revenue Fund	(11,603)	11,603
	<u>\$ 1,495,257</u>	<u>\$ (1,495,257)</u>

The Town makes transfers between funds in order to facilitate operations of the various funds.

#### D. Net Investment in Capital Assets

Capital Assets	\$ 26,891,887
Less: Installment notes	6,714,235
Net Investment in capital assets	<u>\$ 20,177,652</u>

#### E. Fund Balance

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

<i>Total fund balance-General Fund</i>	<i>\$ 13,266,797</i>
Less:	
<i>Restricted:</i>	
Stabilization by state statute	1,945,073
Streets - Powell Bill	141,585
<i>Non-spendable:</i>	
Prepaid items	6,414
<i>Assigned:</i>	
Committed for Specified Projects (See Note V.B)	733,921
Appropriated Fund Balance in 2022 Budget	-
Community Investment Fund	786,483
General Obligation Bond Debt	2,178,862
Unassigned	<u>\$ 7,474,459</u>

*-Continued-*

# TOWN OF DAVIDSON, NORTH CAROLINA

## *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

### III. Detail Notes on All Funds (Continued)

#### E. Fund Balance (Continued)

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end.

	General Fund	Proprietary Fund	Affordable Housing Special Revenue Fund
Encumbrances	\$ 1,117,410	\$ -	\$ 502,498

### IV. Related Party Transactions

A town employee leased a house located in a town park and was obligated to pay rent of \$425 per month beginning October 1, 2019 and ending September 30, 2020. The agreement was renewed for an additional year.

### V. Commitments

- A. The Town has entered into a contract for solid waste and recycling collection with a company that began July 1, 2018.
- B. For the fiscal year ended June 30, 2019, the Town decided to set aside amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. These amounts are reported as Committed, in addition to the Special Projects, on the Balance Sheet (Exhibit 3). A summary of the specific purposes and amounts are as follows:

Purpose	Fiscal Year Ended 6/30/2020	Allocated Fiscal Year Ended 6/30/2021	Total Committed 6/30/2021
Tree Fund	\$ -	\$ 331,870	\$ 331,870
Payment-in-Lieu - Traffic Calming	38,623	14,000	52,623
Payment-in-Lieu - Multi-use Path	133,400	-	133,400
Payment-in-Lieu - RPA Open Space	37,230	29,785	67,015
Stormwater Mitigation Fees	8,913	-	8,913
Parham Park from Developer	7,500	-	7,500
Nature Preserve Grant	132,600	-	132,600
	<u>\$ 358,266</u>	<u>\$ 375,655</u>	<u>\$ 733,921</u>

*-Continued-*

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **VI. Inter-local Agreements**

- A. The Town has entered an inter-local agreement with two neighboring towns for industrial and business park development. The Town has agreed to reimburse the lead town for certain debt service payments. The Town has no ownership of the land nor are they a named party with respect to the financing associated with the land. Pursuant to this agreement, the Town was obligated for \$40,000 plus interest each year through 2019. For the year ended June 30, 2017, the Town paid \$170,536, which paid this obligation in full. The Town was also obligated for debt of \$600,000 plus interest of \$244,130 for infrastructure improvements to the park. For the year ended June 30, 2021, the Town paid \$-0- with respect to this section of the agreement. In exchange for the Town's participation in the agreement, the Town will receive a percentage of the park tax revenues and proceeds from the sale of any property in the development. This inter-local agreement is in effect until 2045. Should the Town elect out of the agreement, they will be liable for their remaining share of the debt service. In addition, they will be liable for any unpaid operating expenses incurred or contracted for through the date of the withdrawal.
- B. The Town entered an inter-local agreement with two neighboring towns to fund a local non-profit, Visit Lake Norman, for the purpose of promoting the Lake Norman area. The agreement calls for funding in the amount equal to 28% of the occupancy tax collected from the preceding fiscal year and 25% of prepared food tax collected in the preceding fiscal year. This inter-local agreement is in effect until June 30, 2020, with automatic renewals of five years. For the year ended June 30, 2021, the Town paid \$121,256 with respect to this agreement.
- C. The Town entered another inter-local agreement with three neighboring towns to create a regional transportation commission. The towns agreed to share the cost of funding this commission. The commission terminated on June 30, 2021, but was re-formed in 2017 with the participants being Iredell County, Mooresville, Statesville and Davidson. For the year ended June 30, 2021, the Town paid \$9,751 with respect to this agreement.
- D. The Town has entered another inter-local agreement with neighboring towns to share cost with respect to a local park. The agreement can be terminated at the end of any fiscal year upon one month written notice. For the year ended June 30, 2021, the Town paid \$41,084 with respect to this agreement.
- E. In July 2011, the Town entered an inter-local agreement with the City of Charlotte for animal control services. This agreement is in effect for one year and shall automatically renew for four additional one-year periods. For the year ended June 30, 2021, the Town paid \$3,098 with respect to this agreement.
- F. The Town has entered into another inter-local agreement with Mecklenburg County to provide fire service and protection in the North Star fire district, which is the Town's extra territorial jurisdiction (ETJ). For the year ended June 30, 2021, Mecklenburg County paid the Town \$268,536 with respect to this agreement.

## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **VII. Joint Agency**

In August of 2007, the Town entered an asset purchase agreement with a local telecommunications company for the purchase of its assets. Pursuant to the agreement, the Town of Mooresville purchased the assets of the telecommunications company. The Towns of Mooresville and Davidson then entered a joint agency agreement pursuant to the General Statutes of North Carolina to form an organization to own, upgrade, manage and operate this telecommunications system. This agency formerly operated as MI Connection Communications System (MIC), but it rebranded itself during fiscal year ended June 30, 2018 to operate as Continuum. During the fiscal year ended June 30, 2008, the Town of Mooresville agreed to enter into an installment finance contract for \$80,000,000 on behalf of the parties and the joint agency to finance the acquisition of, improvement to and operation of the telecommunications system. During the year ended June 30, 2015, the Town of Mooresville refinanced this financing contract in order to obtain more favorable interest rates (from floating rates of 4% to 5% to floating rates from 2% to 5%). The financing contract agreement between Continuum and the Town of Mooresville was modified to mirror the new debt service requirements for the Town of Mooresville. This contract was scheduled to mature in September 2032.

During the year ended June 30, 2010, Mooresville entered into an additional installment financing contract of \$12,550,000 on behalf of MIC. During the year ended June 30, 2015, the Town of Mooresville entered into a rate modification agreement for the aforementioned installment financing contract to lower the applicable interest rate from 6.24% to 2.28%.

As a result of the modification, the financing contract between Continuum and the Town of Mooresville was modified to mirror the new debt service requirements for the Town of Mooresville. The contract was scheduled to mature in March 2023.

The audited financial statements of Continuum indicate that the agency incurred a change in net position of \$(627,280) for the year ended June 30, 2021. The Agency has a deficit net position balance of \$1,229,235 as of June 30, 2021.

The parties acknowledge that to the extent that revenues and assets of the system are not adequate to pay operating costs of the system, the parties agree to the extent of their financial interest, to provide the joint agency funds necessary to operate the system. For the year ended June 30, 2021, the Town funded \$1,000,000 with respect to this clause. Effective June 30, 2012, the inter-local agreement was amended so that the financial interest of the Town is 30%. Under the amended agreement, the Town of Davidson shall contribute \$1,000,000 annually and to the extent that the annual contribution exceeds its financial interest, such excess shall be paid to the Town of Mooresville, until such a time that the Town of Mooresville has recovered its contributions in excess of its financial interest. As of June 30, 2021, the Town of Mooresville has contributed \$-0- in excess of its financial interest, and therefore, Town of Davidson has no deferred liability to the Town of Mooresville. The Continuum audit report has been issued and copies can be obtained from James Justice, Town Manager of the Town of Davidson.

The voters in Davidson and Mooresville approved a referendum to sell the assets of Continuum (MI-Connection) on November 5, 2019. The sale closed on December 31, 2019. Several aspects of the sale have not been resolved, and therefore, the proceeds of the sale have been placed in a reserve bank account pending resolution of any remaining issues.



## TOWN OF DAVIDSON, NORTH CAROLINA

### *Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021*

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#### **VIII. Summary Disclosure of Significant Contingencies**

##### Federal and State Assisted Programs

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

##### Other

The Town is subject to the authority of various federal and state regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by the agencies.

##### Lawsuits

The Town may be subject to various lawsuits. In the opinion of the Town's management and the Town's attorney, the ultimate effect of any of these legal matters will not have a material effect on the Town's financial position.

#### **IX. Date of Management's Review**

The Town of Davidson has evaluated all subsequent events through December 16, 2021, the date the financial statements were available to be issued.

### **REQUIRED SUPPLEMENTAL FINANCIAL DATA**

This section contains additional information required by generally accepted accounting principles.
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- Town of Davidson's Proportionate Share of Net Pension Liability (Asset)
- Town of Davidson's Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Town of Davidson's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Eight Fiscal Years\****

***Local Governmental Employees' Retirement System***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Town of Davidson's proportion of the net pension liability (asset) (%)	0.05596%	0.05419%	0.05492%	0.05090%	0.04782%
Town of Davidson's proportion of the net pension liability (asset) (\$)	\$ 1,999,690	\$ 1,479,888	\$ 1,302,891	\$ 777,612	\$ 1,014,902
Town of Davidson's covered payroll	\$ 3,666,178	\$ 3,396,706	\$ 3,132,503	\$ 2,616,841	\$ 2,540,221
Town of Davidson's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	54.54%	43.57%	41.59%	29.72%	39.95%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%

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

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

Note: Amounts for additional fiscal years up to ten years will be displayed as they become available.

<b>2016</b>	<b>2015</b>	<b>2014</b>
0.04382%	0.04000%	0.040000%
\$ 196,662	\$ (258,191)	\$ 491,797
\$ 2,313,254	\$ 2,287,848	\$ 2,157,964
8.50%	( 11.29%)	22.79%
102.64%	94.35%	96.45%

**TOWN OF DAVIDSON, NORTH CAROLINA**

***Town of Davidson's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years***

***Local Governmental Employees' Retirement System***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 421,440	\$ 339,895	\$ 274,001	\$ 244,850	\$ 215,592
Contributions in relation to the contractually required contribution	\$ 421,440	\$ 339,895	\$ 274,001	\$ 244,850	\$ 215,592
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Davidson's covered payroll	\$ 4,034,406	\$ 3,666,178	\$ 3,396,706	\$ 3,132,503	\$ 2,616,841
Contributions as a percentage of covered payroll	10.45%	9.27%	8.07%	7.82%	8.24%

<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 176,144	\$ 171,010	\$ 167,198
\$ 176,144	\$ 171,010	\$ 167,198
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,540,221	\$ 2,313,254	\$ 2,287,848
6.93%	7.39%	7.31%

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Beginning Balance</b>	\$ 347,774	\$ 388,342	\$ 462,566	\$ 402,234	\$ 410,433
Service Cost	29,979	23,934	22,929	20,341	19,557
Interest on the total pension liability	10,786	13,542	14,102	14,897	14,070
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	14,311	(56,118)	(63,227)	30,026	
Changes of assumptions or other inputs	160,071	10,678	(15,424)	27,672	(9,222)
Benefit payments	(33,858)	(32,604)	(32,604)	(32,604)	(32,604)
Other changes	-	-	-	-	-
<b>Ending balance of the total pension liability</b>	<b>\$ 529,063</b>	<b>\$ 347,774</b>	<b>\$ 388,342</b>	<b>\$ 462,566</b>	<b>\$ 402,234</b>

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

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
June 30, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 529,063	\$ 347,774	\$ 388,342	\$ 462,566	\$ 402,234
Covered payroll	1,300,979	1,136,669	1,063,637	1,046,719	842,962
Total pension liability as a percentage of covered employee payroll	40.67%	30.60%	36.51%	44.19%	47.72%

Notes to the schedules:

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



## **SUPPLEMENTAL STATEMENTS**

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Statement 1**  
**Page 1 of 5**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Ad valorem taxes	\$ 7,483,255	\$ 7,541,456	\$ 58,201
Ad valorem taxes - Motor vehicles	480,025	574,393	94,368
Penalties and interest	20,000	17,423	(2,577)
Total	7,983,280	8,133,272	149,992
Other taxes:			
Occupancy taxes	153,000	131,464	(21,536)
Animal tags	1,000	665	(335)
Total	154,000	132,129	(21,871)
Unrestricted intergovernmental:			
Local option sales taxes	2,134,265	2,301,464	167,199
Payments in lieu of taxes	164,000	238,785	74,785
Telecommunications sales taxes	75,364	65,978	(9,386)
Utility and cable TV franchise taxes	871,467	819,254	(52,213)
Food and beverage tax	246,500	257,926	11,426
Beer and wine tax	57,500	56,905	(595)
ABC profit distribution	125,000	124,841	(159)
Total	3,674,096	3,865,153	191,057
Restricted intergovernmental:			
Solid waste disposal tax	9,000	10,198	1,198
Powell Bill allocation	331,650	323,767	(7,883)
Contributions from Mecklenburg County Fire	268,500	268,536	36
Other grants	312,916	318,390	5,474
Total	922,066	920,891	(1,175)
Permits and fees:			
Motor vehicle fees	194,498	216,960	22,462
Zoning fees	30,000	75,372	45,372
Business registration fee	800	560	(240)
First responder income	25,000	29,516	4,516
Total	250,298	322,408	72,110

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1*  
*Page 2 of 5*

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Sales and service:			
Rental income	7,200	7,200	-
Tree ordinance and parking violations	10,000	338,739	328,739
Other facility revenue	61,500	49,279	(12,221)
Recreation program revenue	99,250	38,698	(60,552)
Recreation facility revenue	1,500	9,166	7,666
Total	<u>179,450</u>	<u>443,082</u>	<u>263,632</u>
Investment earnings	<u>4,000</u>	<u>3,577</u>	<u>(423)</u>
Miscellaneous			
Donations - arts	40,000	40,000	-
Transit planning	15,000	15,000	-
Other	147,000	721,140	574,140
Total	<u>202,000</u>	<u>776,140</u>	<u>574,140</u>
Total revenues	<u>13,369,190</u>	<u>14,596,652</u>	<u>1,227,462</u>
<b>Expenditures:</b>			
General government:			
<i>Governing board:</i>			
Salaries and employee benefits		37,814	
Contracted services		16,024	
Other operating expenditures		56,831	
Total	<u>95,597</u>	<u>110,669</u>	<u>(15,072)</u>
<i>Administration:</i>			
Salaries and employee benefits		1,009,708	
Contracted services		281,557	
Other operating expenditures		532,843	
Total	<u>2,080,380</u>	<u>1,824,108</u>	<u>256,272</u>
<i>Legal:</i>			
Salaries and employee benefits		101,414	
Contracted services		94,097	
Other operating expenditures		4,721	
Total	<u>217,115</u>	<u>200,232</u>	<u>16,883</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1  
Page 3 of 5*

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<i>Public buildings:</i>			
Contracted services		73,444	
Capital outlay		-	
Other operating expenditures		202,391	
Total	364,049	275,835	88,214
Total general government	2,757,141	2,410,844	346,297
<i>Public safety:</i>			
<i>Police:</i>			
Salaries and employee benefits		2,092,779	
Contracted services		151,669	
Vehicle maintenance		57,709	
Other operating expenditures		190,246	
Capital outlay		226,093	
Total	3,078,031	2,718,496	359,535
<i>Fire:</i>			
Salaries and employee benefits		1,719,168	
Contracted services		20,459	
Vehicle maintenance		25,875	
Capital outlay		1,358,652	
Other operating expenditures		135,195	
Total	3,367,554	3,259,349	108,205
Total public safety	6,445,585	5,977,845	467,740
<i>Transportation:</i>			
<i>Streets and highways:</i>			
Salaries and employee benefits		334,334	
Vehicle maintenance		10,730	
Street lights		153,393	
Contracted services		118,605	
Other operating expenditures		350,681	
Capital Outlay		86,358	
Total	1,099,828	1,054,101	45,727
<i>Powell Bill - streets:</i>			
Street and sidewalk maintenance		581,409	
Contracted services		13,857	
Other operating expenditures		-	
Total	666,650	595,266	71,384
Total transportation	1,766,478	1,649,367	117,111

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1  
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**General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Economic and physical development:			
<i>Planning:</i>			
Salaries and employee benefits		438,551	
Contracted services		507,907	
Capital outlay		341,493	
GO Bond issuance costs		0	
Other operating expenditures		9,483	
Total	<u>3,382,934</u>	<u>1,297,434</u>	<u>2,085,500</u>
<i>Economic and community development:</i>			
Salaries and employee benefits		58,345	
Contracted services		44,744	
Capital outlay		345,919	
Other operating expenditures		155,566	
Total	<u>215,989</u>	<u>604,574</u>	<u>(388,585)</u>
<i>Contributions:</i>			
Other service agencies		48,030	
Total	<u>50,000</u>	<u>48,030</u>	<u>1,970</u>
Total economic and physical development	<u>3,648,923</u>	<u>1,950,038</u>	<u>1,698,885</u>
Cultural and recreation:			
<i>Travel and tourism:</i>			
Salaries and employee benefits		101,903	
Contracted services		139,538	
Capital outlay		-	
Other operating expenditures		44,007	
Total	<u>292,434</u>	<u>285,448</u>	<u>6,986</u>
<i>Recreation:</i>			
Salaries and employee benefits		309,430	
Contracted services		10,210	
Other operating expenditures		15,817	
Capital outlay		-	
Total	<u>391,222</u>	<u>335,457</u>	<u>55,765</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 1*  
*Page 5 of 5*

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<i>Parks:</i>			
Salaries and employee benefits		339,959	
Contracted services		55,335	
Other operating expenditures		137,553	
Capital outlay		239,399	
Total	<u>1,110,851</u>	<u>772,246</u>	<u>338,605</u>
Total cultural and recreation	<u>1,794,507</u>	<u>1,393,151</u>	<u>401,356</u>
Debt service:			
Principal		698,652	
Interest and other charges		186,406	
Total debt service	<u>851,235</u>	<u>885,058</u>	<u>(33,823)</u>
Contingency	<u>50,000</u>		<u>50,000</u>
Total expenditures	<u>17,313,869</u>	<u>14,266,302</u>	<u>3,047,567</u>
Revenues over (under) expenditures	(3,944,679)	330,350	4,275,029
Other Financing Sources (Uses)			
Proceeds from debt	1,355,000	1,353,000	2,000
Proceeds from insurance claims	0	3,528	(3,528)
Proceeds from disposal of assets	10,000	19,565	9,565
GO Bond Issuance costs		0	
Transfers to other funds	<u>(1,996,805)</u>	<u>1,037,308</u>	<u>(3,034,113)</u>
Total other financing sources (uses)	<u>(631,805)</u>	<u>2,413,401</u>	<u>(3,026,076)</u>
Fund balance appropriated	<u>3,755,484</u>	-	<u>3,755,484</u>
Net change in fund balance	<u>\$ (821,000)</u>	2,743,751	<u>\$ 3,564,751</u>
Fund balance, beginning		<u>10,523,046</u>	
Fund balance, end of year		<u>\$ 13,266,797</u>	

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 2

**Capital Project Fund – MI Connection**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Economic and physical development	6,500,000	6,947,502	36,414	6,983,916	(483,916)
Total expenditures	6,500,000	6,947,502	36,414	6,983,916	(483,916)
Revenues over (under) expenditures	(6,500,000)	(6,947,502)	(36,414)	(6,983,916)	(483,916)
<b>Other financing sources and uses</b>					
Proceeds from sale of MIC	-	-	600,287	600,287	600,287
Transfers from General Fund	6,500,000	7,947,502	-	7,947,502	1,447,502
Total other financing sources	6,500,000	7,947,502	600,287	8,547,789	2,047,789
Net change in fund balance	\$ -	\$ 1,000,000	563,873	\$ 1,563,873	\$ 1,563,873
<b>Fund balances:</b>					
Fund balance, beginning of year			2,033,724		
Fund balance, end of year			\$ 2,597,597		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 3

**Special Revenue Fund – Affordable Housing Program**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Contributions - restricted	\$ 172,000	\$ 2,572,517	\$ 331,875	\$ 2,904,392	\$ 2,732,392
Interest earnings	-	-	185		
Total revenues	<u>172,000</u>	<u>2,572,517</u>	<u>332,060</u>	<u>2,904,392</u>	<u>2,732,392</u>
<b>Expenditures</b>					
Economic and physical development	703,575	1,191,105	74,775	1,265,880	(562,305)
Total expenditures	<u>703,575</u>	<u>1,191,105</u>	<u>74,775</u>	<u>1,265,880</u>	<u>(562,305)</u>
Revenues over (under) expenditures	<u>(531,575)</u>	<u>1,381,412</u>	<u>257,285</u>	<u>1,638,512</u>	<u>2,170,087</u>
<b>Other financing sources and uses</b>					
Proceeds from sale of other asset	135,495	135,495	-	135,495	-
Transfers from (to) General Fund	301,227	296,142	11,603	307,745	6,518
Total other financing sources	<u>436,722</u>	<u>431,637</u>	<u>11,603</u>	<u>443,240</u>	<u>6,518</u>
Fund balance appropriated	<u>94,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,853)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,813,049</u>	<u>268,888</u>	<u>\$ 2,081,752</u>	<u>\$ 2,081,752</u>
Fund balances:					
Fund balance, beginning of year			725,454		
Fund balance, end of year			<u>\$ 994,342</u>		



**TOWN OF DAVIDSON, NORTH CAROLINA**

**Statement 4**

**2021 GO Bond Issuance Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**From Inception and For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Interest earnings	-	-	4	4	(4)
Total revenues	-	-	4	4	(4)
<b>Expenditures</b>					
Economic and physical development	17,422,476	-	-	-	17,422,476
Total expenditures	17,422,476	-	-	-	17,422,476
Total expenditures	17,422,476	-	-	-	17,422,476
Revenues over (under) expenditures	(17,422,476)	-	4	4	(17,422,480)
<b>Other financing sources and uses</b>					
Bonds issued	16,925,000	-	16,925,000	16,925,000	-
Premium on bonds issued	2,496,002	-	2,496,002	2,496,002	-
Bond issuance expense	(211,224)	-	(211,224)	(211,224)	-
Transfers from/(to) General Fund	(1,787,302)	-	(1,787,302)	(1,787,302)	-
Total other financing sources (uses)	17,422,476	-	17,422,476	17,422,476	-
Net change in fund balance	\$ -	\$ -	17,422,480	\$ 17,422,480	\$ (17,422,480)
<b>Fund balances:</b>					
Fund balance, beginning of year			-		
Fund balance, end of year			\$ 17,422,480		

TOWN OF DAVIDSON, NORTH CAROLINA

Statement 5

*Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2021*

	Public Art Project	Potts-Sloan- Beaty Corridor Project	Parks/ Greenway Project	Public Facility Project	Total Non-Major Governmental Funds
<b>Assets</b>					
Cash	\$ 130,832	\$ 659	\$ 77,286	\$ 415,456	\$ 624,233
Due from General Fund	-	-	-	-	-
Total assets	<u>\$ 130,832</u>	<u>\$ 659</u>	<u>\$ 77,286</u>	<u>\$ 415,456</u>	<u>\$ 624,233</u>
<b>Liabilities and Fund Balances</b>					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to General Fund	-	-	-	-	-
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Committed for special projects	\$ 130,832	\$ 659	\$ 77,286	\$ 415,456	\$ 624,233
Total fund balances	<u>\$ 130,832</u>	<u>\$ 659</u>	<u>\$ 77,286</u>	<u>\$ 415,456</u>	<u>\$ 624,233</u>
Total liabilities and fund balances	<u>\$ 130,832</u>	<u>\$ 659</u>	<u>\$ 77,286</u>	<u>\$ 415,456</u>	<u>\$ 624,233</u>

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 6*

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Non-Major Governmental Funds  
For the fiscal year ended June 30, 2021***

	Public Art Project	Potts-Sloan- Beaty Corridor Project	Parks/ Greenway Project	Public Facility Project	<b>Total Non-Major Governmental Funds</b>
<b>Revenues</b>					
Restricted intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	-	-
<b>Expenditures</b>					
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Economic and physical development	-	13,800	-	1,110,600	1,124,400
Cultural and recreational	36,281	-	-	-	36,281
Total expenditures	36,281	13,800	-	1,110,600	1,160,681
Revenues over (under) expenditures	(36,281)	(13,800)	-	(1,110,600)	(1,160,681)
<b>Other Financing Sources (Uses)</b>					
Loan Proceeds					
Transfers from (to)					
General Fund	-	-	10,000	122,082	132,082
Net change in fund balance	(36,281)	(13,800)	10,000	(988,518)	(1,028,599)
<b>Fund balances:</b>					
Beginning of year	167,113	14,459	67,286	1,403,974	1,652,832
End of year	\$ 130,832	\$ 659	\$ 77,286	\$ 415,456	\$ 624,233

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 7*

***Special Revenue Fund – Public Art Project  
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
From Inception and for the fiscal year ended June 30, 2021***

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Contributions - restricted	\$ 169,967	\$ 163,167	\$ -	\$ 163,167	\$ (6,800)
<b>Expenditures</b>					
Cultural and recreational	<u>236,630</u>	<u>243,197</u>	<u>36,281</u>	<u>279,478</u>	<u>(42,848)</u>
Total expenditures	<u>236,630</u>	<u>243,197</u>	<u>36,281</u>	<u>279,478</u>	<u>(42,848)</u>
Revenues over (under) expenditures	<u>(66,663)</u>	<u>(80,030)</u>	<u>(36,281)</u>	<u>(116,311)</u>	<u>(49,648)</u>
<b>Other financing sources and uses</b>					
Transfers from General Fund	<u>66,663</u>	<u>179,063</u>	<u>0</u>	<u>179,063</u>	<u>112,400</u>
Total other financing sources	<u>66,663</u>	<u>179,063</u>	<u>-</u>	<u>179,063</u>	<u>112,400</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 99,033</u></u>	<u>(36,281)</u>	<u><u>\$ 62,752</u></u>	<u><u>\$ 62,752</u></u>
Fund balances:					
Fund balance, beginning of year			<u>167,113</u>		
Fund balance, end of year			<u><u>\$ 130,832</u></u>		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 8

**Capital Project Fund – Potts-Sloan-Beatty Corridor**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**From Inception and for the fiscal year ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Streets and highways	233,000	218,541	13,800	232,341	659
Total expenditures	233,000	218,541	13,800	232,341	659
Revenues over (under) expenditures	(233,000)	(218,541)	(13,800)	(232,341)	659
<b>Other financing sources and uses</b>					
Transfers from General Fund	233,000	233,000	-	233,000	-
Total other financing sources	233,000	233,000	-	233,000	-
Net change in fund balance	\$ -	\$ 14,459	(13,800)	\$ 659	\$ 659
Fund balances:					
Fund balance, beginning of year			14,459		
Fund balance, end of year			\$ 659		

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Statement 9*

***Capital Project Fund – Parks/Greenway  
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual  
From Inception and for the fiscal year ended June 30, 2021***

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Cultural and recreation	550,000	276,239	0	276,239	273,761
Total expenditures	550,000	276,239	-	276,239	273,761
Revenues over (under) expenditures	(550,000)	(276,239)	-	(276,239)	273,761
<b>Other financing sources and uses</b>					
Transfers from General Fund	550,000	264,500	10,000	274,500	(275,500)
Total other financing sources	550,000	264,500	10,000	274,500	(275,500)
Net change in fund balance	\$ -	\$ 147,407	10,000	\$ (1,739)	\$ (1,739)
Fund balances:					
Fund balance, beginning of year			67,286		
Fund balance, end of year			\$ 77,286		

## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 10

**Capital Project Fund – Public Facilities**  
**Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual**  
**From Inception and for the fiscal year ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total To Date	Variance Positive (Negative)
<b>Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Expenditures</b>					
Economic and physical development	241,000	399,209	1,110,600	1,509,809	(1,268,809)
Total expenditures	241,000	399,209	1,110,600	1,509,809	(1,268,809)
Revenues over (under) expenditures	(241,000)	(399,209)	(1,110,600)	(1,509,809)	1,268,809
<b>Other financing sources and uses</b>					
Transfers from General Fund	241,000	1,625,000	122,082	1,747,082	1,506,082
Total other financing sources	241,000	1,625,000	122,082	1,747,082	1,506,082
Net change in fund balance	\$ -	\$ 1,225,791	(988,518)	\$ 237,273	\$ 2,774,891
Fund balances:					
Fund balance, beginning of year			1,403,974		
Fund balance, end of year			\$ 415,456		

**TOWN OF DAVIDSON, NORTH CAROLINA**

**Statement 11**

***Solid Waste Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2021***

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Operating Revenues</b>			
Solid waste management fee	\$ -	\$ 829,547	\$ -
Total revenue	<u>875,000</u>	<u>829,547</u>	<u>(45,453)</u>
<b>Expenditures</b>			
Administration:			
Administrative		<u>-</u>	
Solid waste operations:			
Contracted services		<u>1,022,259</u>	
Total	1,055,000	<u>1,022,259</u>	
Total expenditures	<u>1,055,000</u>	<u>1,022,259</u>	<u>32,741</u>
Revenues over (under) expenditures	<u>(180,000)</u>	<u>(192,712)</u>	<u>(12,712)</u>
<b>Other Financing Sources (Uses)</b>			
Appropriated fund balance	<u>140,824</u>	<u>-</u>	<u>(140,824)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (39,176)</u>	<u>\$ (192,712)</u>	<u>\$ (153,536)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		-	
Transfers from General Fund		150,000	
Depreciation		-	
Principal retirement		<u>-</u>	
Total reconciling items		<u>150,000</u>	
Change in net position		<u>\$ (42,712)</u>	



## TOWN OF DAVIDSON, NORTH CAROLINA

Statement 12

*Storm-water Fund*  
*Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)*  
*For the Fiscal Year Ended June 30, 2021*

	Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>			
Stormwater management fee	\$ -	\$ 273,362	\$ -
Grants		-	
Total revenue	<u>250,000</u>	<u>273,362</u>	<u>23,362</u>
<b>Expenditures</b>			
Administration:			
Administrative		-	
Stormwater operations:			
Contracted services		202,748	
Total		<u>202,748</u>	
Total expenditures	<u>240,120</u>	<u>202,748</u>	<u>37,372</u>
Revenues over (under) expenditures	<u>9,880</u>	<u>70,614</u>	<u>60,734</u>
<b>Other Financing Sources (Uses)</b>			
Debt service	<u>0</u>	<u>(33,830)</u>	<u>-</u>
Appropriated fund balance	<u>23,950</u>	<u>-</u>	<u>(23,950)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ 33,830</u>	<u>\$ 36,784</u>	<u>\$ 2,954</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		-	
Transfers to General Fund		(74,334)	
Interest paid		1,716	
Principal retirement		32,114	
Total reconciling items		<u>(40,504)</u>	
Change in net position		<u>\$ (3,720)</u>	

## **OTHER SCHEDULES**

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This section contains additional information required on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**TOWN OF DAVIDSON, NORTH CAROLINA**

*Schedule 1*

***Schedule of Ad Valorem Taxes Receivable  
June 30, 2021***

	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020 - 2021		\$ 8,130,566	\$ 8,099,860	\$ 30,706
2019 - 2020	29,058	-	14,498	14,560
2018 - 2019	7,448	-	276	7,234
2017 - 2018	6,711	-	204	6,506
2016 - 2017	4,884	-	147	4,736
2015 - 2016	3,650	-	162	3,489
2014 - 2015	4,004	-	45	3,959
2013 - 2014	2,726	-	168	2,637
2012 - 2013	5,011	-	108	4,941
2011 - 2012	2,518	-	103	2,490
2010 - 2011	5,632	-	5,632	-
	<u>\$ 71,642</u>	<u>\$ 8,130,566</u>	<u>\$ 8,121,203</u>	<u>\$ 81,259</u>

Reconciliation with revenues:

Ad Valorem Taxes - General Fund	\$ 8,133,272
Reconciling items:	
Interest collected	(17,423)
Statutory write off	5,354
Total collections and credits	<u>\$ 8,121,203</u>

## TOWN OF DAVIDSON, NORTH CAROLINA

## Schedule 2

*Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2021*

	Town-wide			Total Levy	
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 2,866,974,138	0.29	\$ 8,314,225	\$ 7,739,832	\$ 574,393
Discoveries	221,829,924	0.29	643,307	643,307	-
Releases	(285,160,610)	0.29	(826,966)	(826,966)	-
Total property valuation	<u>\$ 2,803,643,452</u>				
Net levy			8,130,566	7,556,173	574,393
Less, uncollected tax at June 30, 2019			<u>30,706</u>	<u>30,706</u>	<u>-</u>
Current year's taxes collected			<u>\$ 8,099,860</u>	<u>\$ 7,525,467</u>	<u>\$ 574,393</u>
Current levy collection percentage			<u>99.62%</u>	<u>99.59%</u>	<u>100.00%</u>

<b>COMPLIANCE SECTION</b>
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**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 Board of Commissioners  
Town of Davidson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Davidson, North Carolina as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Davidson's basic financial statements, and have issued our report thereon dated December 16, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Davidson's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Davidson'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Davidson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe our testing of internal control and compliance and the result of that testing, and to provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ann R. Craven, CPA, PLLC*

*Ann R. Craven, CPA, PLLC*  
*Greensboro, North Carolina*  
December 16, 2021