

**TOWN OF GASTON  
NORTH CAROLINA**

**Financial Statements and Supplementary  
Information**

For the Year Ended June 30, 2021



**Strickland Hardee PLLC**  
Certified Public Accountants

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TOWN OF GASTON, NORTH CAROLINA

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For the Year Ended June 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Town of Gaston, North Carolina (the "Town"), 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Town of Gaston, North Carolina, as of June 30, 2021, and the respective changes in financial position, 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 and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 Gaston, North Carolina's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Strickland Hardee PLLC*

Lexington, North Carolina  
April 21, 2023

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

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**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

As management of the Town of Gaston ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2021 ("2021" or "FY 2021") compared to the year ended June 30, 2020 ("2020" or "FY 2020"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole, with an emphasis on the Primary Government. We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding the Town's overall financial performance.

***Financial Highlights***

- The assets and deferred outflows of resources of the Town of Gaston exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by \$1,028,515.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending balance of \$534,601 with a net increase of \$155,201 in fund balance. Approximately 77.65% of this total amount, or \$415,127, is unassigned and available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$415,127, or 59.75% of the total general fund expenditures for the fiscal year.
- Long-term debt decreased by \$3,396, mainly due to the Town's principal payments during the year.

***Overview of the Financial Statements***

**Financial Statements**

This MD&A is intended to serve as an introduction to the Town's financial statements. The Town's 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.

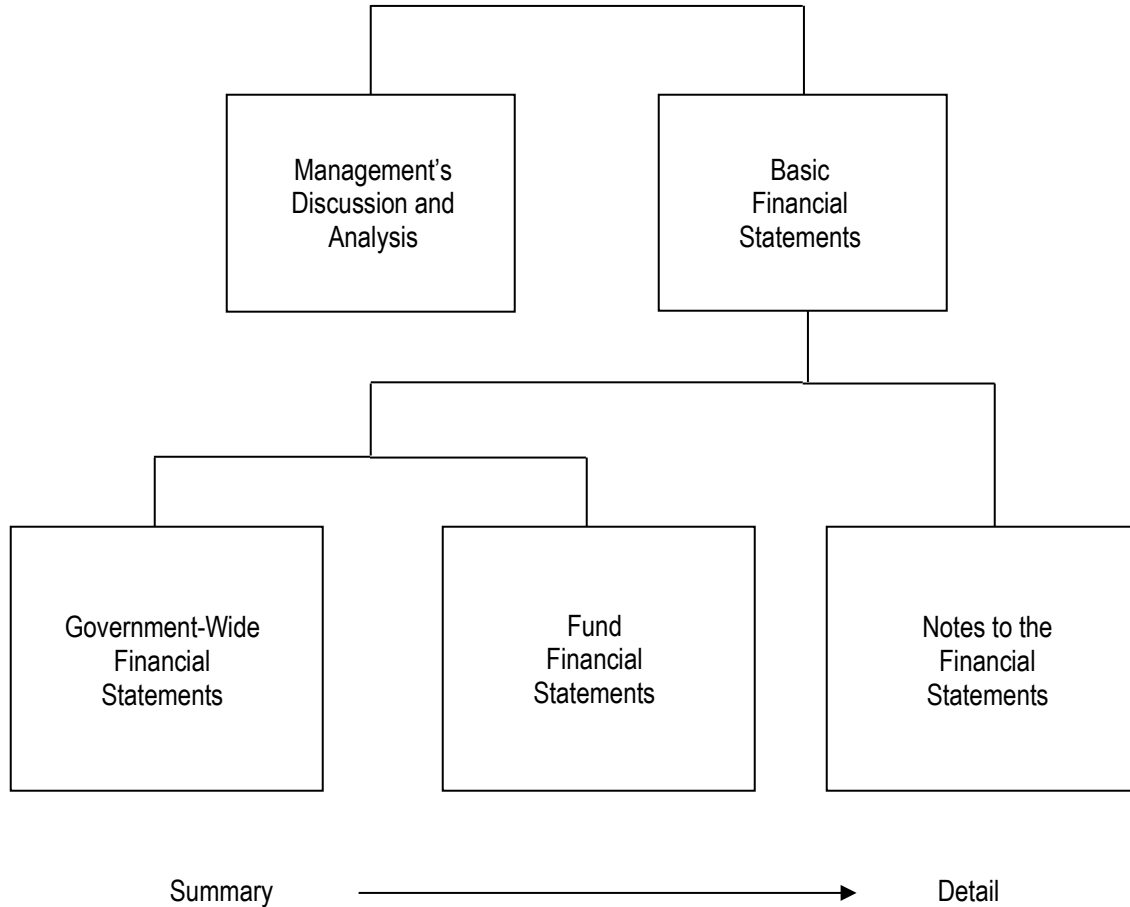
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**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**Overview of the Financial Statements (Continued)**

**Financial Statements (Continued)**

**Required Components of Annual Financial Report**  
**Figure 1**



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

The next set of statements (Exhibits C through F) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison 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.

**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

***Overview of the Financial Statements (Continued)***

**Financial Statements (Continued)**

After the notes, **required supplementary information** and **supplementary information** are provided to show details about the Town's retirement plans and individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

**Government-Wide Financial Statements**

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

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

The government-wide statements are divided into two categories: (1) governmental activities and (2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, and cultural and recreational. Taxes, state grants, and federal grants finance most of these activities.

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

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town can be found in the governmental funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Town's basic services are accounted for in governmental funds. These fund financial statements 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. Such information may be useful in evaluating a government's near term financing requirements. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 an integral part of the fund financial statements.



**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

***Overview of the Financial Statements (Continued)***

**Fund Financial Statements (Continued)**

The Town of Waxhaw 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 in 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.

**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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental activities, major funds, and non-major funds in the aggregate. The Notes to the Financial Statements can be found as listed in the table of contents of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information ("RSI") is mandated by the Governmental Accounting Standards Board ("GASB") and can be found as listed in the table of contents of this report.

**Interdependence with Other Entities** – The Town 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 laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury securities.

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**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**Government-Wide Financial Analysis**

The following table provides a summary of the Town's statement of net position as of June 30, 2021 compared to June 30, 2020:

Town's Statement of Net Position  
Figure 2

	Governmental Activities	
	June 30, 2021	June 30, 2020
Current and Other Assets	\$ 672,641	\$ 525,814
Capital Assets (Net)	535,247	547,071
Deferred Outflow of Resources	70,299	32,737
<b>Total Assets</b>	<b>1,278,187</b>	<b>1,105,622</b>
Current Liabilities	18,895	15,375
Long-Term Obligations	226,045	200,037
Deferred Inflows of Resources	4,732	3,543
<b>Total Liabilities</b>	<b>249,672</b>	<b>218,955</b>
Net Investment in Capital Assets	415,962	424,390
Restricted	119,474	61,981
Unrestricted	493,079	400,296
<b>Total Net Position</b>	<b>\$ 1,028,515</b>	<b>\$ 886,667</b>

The Town's current and other assets increased \$146,827 in the current year due to an increase in cash and cash equivalents of \$97,885.

The Town's liabilities increased \$29,528 primarily due to an increase in the Town's pension and OPEB liability.

Deferred outflows/inflows of resources changed between years due to deferred gains and losses related to the Town's participation in the State retirement plans (Local Governmental Employees' Retirement System and the Law Enforcement Officers Special Separation Allowance).

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$1,028,515 as of June 30, 2021. The Town's net position increased by \$141,848 for the fiscal year ended June 30, 2021.

The Town's investment in capital assets of \$415,962 (40.44%) reflects the Town's investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding 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.

**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

**Government-Wide Financial Analysis (Continued)**

An additional portion of the Town's net position of \$119,474 (11.62%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Town's net position of \$493,079 (47.94%) is unrestricted.

Town's Changes in Net Position  
Figure 3

	Governmental Activities	
	June 30, 2021	June 30, 2020
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 13,584	\$ 11,266
Operating Grants	133,783	38,729
General Revenues:		
Taxes	689,644	555,199
Other	24,843	12,287
Total Revenues	<u>861,854</u>	<u>617,481</u>
<b>Expenses</b>		
General Government	285,498	\$ 61,694
Public Safety	276,219	218,009
Transportation	61,133	50,039
Environmental Protection	78,095	97,401
Culture and Recreation	11,335	11,410
Interest on Long-Term Obligations	8,821	5,410
Total Expenses	<u>721,101</u>	<u>443,963</u>
Change in Net Position	<u>140,753</u>	<u>173,518</u>
Net Position, Beginning of Year		
As Previously Reported	886,667	713,149
Restatement	1,095	-
Net Position, Beginning of Year		
As Restated	<u>887,762</u>	<u>713,149</u>
Net Position, End of Year	<u>\$ 1,028,515</u>	<u>\$ 886,667</u>

**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

***Government-Wide Financial Analysis (Continued)***

**Governmental Activities:** Governmental activities increased the Town's net position by \$140,753 in the current year. The key element of this increase is due to continued growth in the Town's property tax base.

***Financial Analysis of the Town's Funds***

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

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$415,127 with a total fund balance of \$534,601, an increase of \$155,201 over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance for the General Fund as of June 30, 2021 represents 55% of total next year General Fund budgeted expenditures.

The General Fund recorded revenues of \$850,023 during FY 2021, which was an increase of \$219,395, or 34.79% over the \$630,628 recorded in FY 2020, primarily due to the intergovernmental revenue increasing \$160,343 or 41.82% over FY 2020. In addition, Ad valorem taxes increased \$56,730 in FY 2021.

Expenditures in the General Fund were \$694,822 for FY 2021, which was an increase of \$71,240, or 11.42% over the \$623,582 recorded in FY 2020, with similar increases occurring in each of the current expenditure categories.

*General Fund Budgetary Highlights:* During the current fiscal year, the Town revised the budget. In general, 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. During the current fiscal year, there was an increase in appropriations between the original and final amended General Fund expenditure budget (including transfers out) totaling \$70,815.

General Fund actual revenues were \$850,023, which was \$113,228 or 15.37% higher than budgeted revenues, primarily attributed to Local Option Sales Taxes.

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**TOWN OF GASTON, NORTH CAROLINA**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2021**

***Financial Analysis of the Town's Funds (Continued)***

**Governmental Funds (Continued)**

All General Fund departments stayed within the appropriated budgets for the current fiscal year, except for the general government department. In total, the General Fund actual expenditures ended the year at \$694,822, which was \$41,973 or 5.70% below the \$736,795 revised expenditures budget for the current fiscal year.

***Capital Asset and Debt Administration***

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2021, totaled \$535,247 (net of accumulated depreciation). This was a decrease of \$11,8241 from the prior year total. These capital assets include land, buildings, equipment, and vehicles.

The Town's capital assets (net of depreciation) as of June 30, 2021 and 2020 were as follows:

Town's Net Capital Assets  
Figure 4

	June 30, 2021	June 30, 2020
<b>Capital Assets</b>		
Land	\$ 64,473	\$ 64,473
Buildings	560,504	560,504
Equipment	283,928	255,347
Vehicles and Motorized Equipment	255,347	269,669
Less Accumulated Depreciation	(629,005)	(602,922)
Capital Assets, Net	\$ 535,247	\$ 547,071

Additional information on the Town's capital assets can be found in Note III.D in the Notes to the Financial Statements.

**Long-Term Debt**

The Town's total debt obligations as of June 30, 2021 and 2020, were as follows:

Town's Outstanding Debt  
Figure 5

	June 30, 2021	June 30, 2020
Installment Purchases	\$ 119,285	\$ 122,681

**TOWN OF GASTON, NORTH CAROLINA  
Management's Discussion and Analysis  
For the Year Ended June 30, 2021**

**Long-Term Debt (Continued)**

Additional information regarding the Town's long-term debt can be found in Note III.E in the Notes to the Financial Statements.

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

**Economic Factors**

The following key information reflect the prosperity of the Town:

- As of June 30, 2021, the Town of Gaston has an estimated population of 973.
- The Town of Gaston is located in Northampton County. The county had an unemployment rate at June 30, 2021 of 7.0% compared to a state rate of 4.6%

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

**Governmental Activities:** Property taxes will remain constant in revenues and permits and fees are expected to be very modest. The Town will use these revenues to cover costs of expenses in material, supplies, and labor. These revenues will also be used to finance programs currently in place.

***Additional Information***

This report is intended to provide a summary of the financial condition of the Town of Gaston. Questions or requests for additional information should be addressed to:

Town of Gaston  
P.O. Drawer M  
Gaston, NC 27832

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**BASIC FINANCIAL STATEMENTS**  
**(Government-wide)**

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**TOWN OF GASTON, NORTH CAROLINA**  
**Statement of Net Position**  
**June 30, 2021**

Exhibit A

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 420,643
Receivables, net:	
Property taxes	132,524
Accounts	21,194
Intergovernmental receivables	98,280
Total current assets	672,641
Capital assets:	
Non-depreciable	64,473
Depreciable, net	470,774
Total capital assets	535,247
Total assets	1,207,888
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension charges	70,299
<b>LIABILITIES</b>	
Current liabilities:	
Accrued salaries and benefits	5,516
Long-term liabilities:	
Due within one year	13,379
Due in more than one year	226,045
Total long-term liabilities	239,424
Total liabilities	244,940
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension credits	4,732
<b>NET POSITION</b>	
Net investment in capital assets	415,962
Restricted for:	
Stabilization by State Statute	119,474
Unrestricted	493,079
Total net position	\$ 1,028,515

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



**TOWN OF GASTON, NORTH CAROLINA**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Grants and Contributions</u>		<u>Revenue and Change</u>
			<u>Services</u>	<u>Operating</u>	<u>Capital</u>
					<u>Primary Government</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 285,498	\$ 9,951	\$ -	\$ -	\$ (275,547)
Public safety	276,219	3,548	97,745	-	(174,926)
Transportation	61,133	-	36,038	-	(25,095)
Environmental protection	78,095	-	-	-	(78,095)
Culture and recreation	11,335	85	-	-	(11,250)
Interest on long-term obligations	8,821	-	-	-	(8,821)
Total primary government	721,101	13,584	133,783	-	(573,734)
<b>General revenues:</b>					
Taxes:					
Property taxes					290,714
Sales taxes					338,406
Franchise taxes					60,524
Investment income					363
Miscellaneous					24,480
Total general revenues					714,487
<b>Change in net position</b>					
Net position, beginning of year, as previously reported					886,667
Prior period adjustments					1,095
Net position, beginning of year, restated					887,762
Net position, end of year					\$ 1,028,515

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

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## **FUND FINANCIAL STATEMENTS**

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**TOWN OF GASTON, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

Exhibit C

	<b>Major Fund</b>
	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 420,643
Receivables, net:	
Taxes	132,524
Accounts	21,194
Intergovernmental receivables	98,280
Total assets	672,641
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	
Liabilities:	
Accrued salaries and benefits	5,516
Deferred inflows of resources:	
Unavailable revenue - property taxes	132,524
Fund balances:	
Restricted for:	
Stabilization by State statute	119,474
Unassigned	415,127
Total fund balances	534,601
Total liabilities, deferred inflows of resources and fund balances	\$ 672,641

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

**Exhibit C**  
**(Continued)**

**Reconciliation of the Balance Sheet to the Statement of Net Position:**

**Amounts reported for governmental activities in the Statement of Net Position are different because:**

Total fund balance - governmental funds	\$	534,601
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	1,164,252	
Accumulated depreciation	<u>(629,005)</u>	535,247
Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental fund.		
		132,524
The Town's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position.		
		33,883
The Town's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position.		
		31,684
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.		
Long-term debt		(118,337)
Compensated absences		(2,936)
Net pension liability - LGERS pension plan		(57,175)
Total pension liability - LEOSSA		<u>(60,976)</u>
Net position of governmental activities	\$	<u><u>1,028,515</u></u>

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

Exhibit D

	<b>Major Fund General Fund</b>
<b>REVENUES</b>	
Ad valorem taxes	\$ 278,408
Other taxes and licenses	2,192
Unrestricted intergovernmental	409,980
Restricted intergovernmental	133,783
Permits and fees	366
Sales and services	9,670
Investment earnings	363
Miscellaneous	15,261
Total revenues	850,023
<b>EXPENDITURES</b>	
Current:	
General government	272,460
Public safety	257,585
Transportation	54,152
Environmental protection	81,160
Culture and recreation	10,608
Debt service:	
Principal	13,101
Interest and bank fees	5,756
Total expenditures	694,822
Net change in fund balance	155,201
Fund balances, beginning	379,400
Fund balances, ending	\$ 534,601

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

Exhibit E

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

Net changes in fund balances - total Governmental Funds	\$	155,201
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.		12,306
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		13,101
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		(926)
Changes in the Town's LEOSA total pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		(14,817)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Compensated absences		(1,488)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$24,624 exceeded cash capital asset additions of \$2,000 in the current period.		<u>(22,624)</u>
Total changes in net position of Governmental Activities	\$	<u>140,753</u>

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

Exhibit F

	Budget		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Ad valorem taxes	\$ 260,570	\$ 260,570	\$ 278,408	\$ 17,838
Other taxes and licenses	2,060	2,060	2,192	132
Unrestricted intergovernmental	341,600	341,600	409,980	68,380
Restricted intergovernmental	38,500	108,165	133,783	25,618
Permits and fees	500	500	366	(134)
Sales and services	11,300	11,300	9,670	(1,630)
Investment earnings	3,000	3,000	363	(2,637)
Miscellaneous	9,600	9,600	15,261	5,661
Total revenues	<u>667,130</u>	<u>736,795</u>	<u>850,023</u>	<u>113,228</u>
<b>EXPENDITURES</b>				
Current:				
General government	235,160	264,186	272,460	(8,274)
Public safety	225,525	266,164	257,585	8,579
Transportation	75,380	75,380	54,152	21,228
Environmental protection	97,900	94,835	81,160	13,675
Culture and recreation	17,345	17,345	10,608	6,737
Debt service:				
Principal retirement	10,036	13,101	13,101	-
Interest and other charges	5,784	5,784	5,756	28
Total expenditures	<u>667,130</u>	<u>736,795</u>	<u>694,822</u>	<u>41,973</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	155,201	<u>\$ 155,201</u>
Fund balance, beginning			<u>379,400</u>	
Fund balance, ending			<u>\$ 534,601</u>	

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

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## **NOTES TO THE FINANCIAL STATEMENTS**

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**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**I) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A) The Reporting Entity**

The Town of Gaston is a municipal corporation that is governed by an elected mayor and a four-member council. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

**1) Major Operations**

The Town's major operations consist of general government, public safety (police and volunteer fire), transportation, environmental protection, and culture and recreation.

**A) Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the "Primary Government"). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**B) Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)**

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The town considers all revenues available if they are generally collected within 90 days after year-end.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major governmental funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**Governmental Fund Types** are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town reports the following major governmental fund:

The **General Fund**, a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**C) Budgetary Information**

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Capital Project Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year fund. All amendments must be approved by the governing board. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Town Manager has the authority to amend appropriations within departments. All other amendments must be approved by the governing board.

**D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity**

**1) Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The Board considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash and cash equivalents.

**2) Deposits and Investments**

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

State law (G.S. 159-30(c)) authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value as determined by quoted market prices. The Town's investments are reported at fair value as determined by quoted market prices. Non-participating interest earning contracts are accounted for at cost. The securities of the NCCMT-Government Portfolio, a SEC registered (2a-7) external investment pool, is measured at amortized cost, money market mutual fund are valued at fair value, which is the NCCMT's share price. The NCCMT-Term Portfolio's securities are valued at fair value.

**3) Restricted Assets**

The unexpended bond proceeds in the General Fund for the Carolina Crossroads, are restricted by the terms of the loan agreement and can only be used for debt service.

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening local streets per G.S. 136-41.1 through 136-41.4.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**4) Ad Valorem Taxes Receivable**

In accordance with State law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues net of such discounts.

**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 has been recorded because the amount is immaterial.

**6) Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of \$1,000 or more than a certain cost and an estimated useful life in excess of two years. Donated capital assets received prior to June 15, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. 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.

The Town's capital assets are depreciated on the straight-line method using the following estimated useful lives:

Infrastructure	30 years
Buildings	20-40 years
Improvements	10-20 years
Vehicles	4-5 years
Furniture and Equipment	5-10 years

**7) Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**E) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**7) Deferred Outflows/Inflows of Resources (Continued)**

The Town currently has only one type of deferred outflows of resources: The Town reports *deferred pension charges* in the Town's Statements of Net Position in connection with the Town's participation in the State's Local Governmental Employees' Retirement System ("LGERS") and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statements of Net Position in connection with the Town's participation in the State's LGERS and LEOSSA. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

**8) Accrued Liabilities and Long-Term Obligations**

All accrued liabilities and long-term debt are reported in the government-wide financial statements as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, debt, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

**9) Compensated Absences**

The vacation policy of the Town generally provides for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide 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.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**9) Compensated Absences (Continued)**

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 taken, no accrual for sick leave has been made.

**10) Fund Balance**

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.). The Town has no nonspendable fund balance.

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town consists of:

**Restricted for Stabilization by State Statute** – North Carolina G.S. 159-8(a) prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute ("RSS") is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for 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 is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

**Restricted for Streets** – portion of Powell Bill unexpended funds that are restricted by revenue source for street construction and maintenance expenditures.

**Committed** – is the portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town Board (highest level of decision-making authority). The Board 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. Any changes or removal of specific purpose requires majority action by the governing body. The Town has no committed fund balance.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date. Town Board reserves the right to assign fund balance. The Town has no assigned fund balance.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**D) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**10) Fund Balance (Continued)**

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use 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.

**11) Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

**12) Pensions**

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note III.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting.

The Town recognizes a net/total pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end.

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

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

**E) Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**13) Fair Value**

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three level of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1 that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP.

The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

**14) Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent amounts at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.



**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**II) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A) Material Violations of Finance-Related Legal and Contractual Provisions**

**1) Noncompliance with North Carolina General Statutes**

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2021 was not completed until April 21, 2023. The Town will review their procedures and policies to assure that their records be submitted in a timely manner in the future.

**2) Contractual Violations**

None noted.

**3) Deficit in Fund Balance or Net Position of Individual Funds**

None noted.

**4) Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the general government by \$8,724. This over-expenditure occurred because the Town did not compare the expenditure with the authorized appropriations in a timely manner. The Board was made aware of the excess expenditures and will monitor the budget reports more closely.

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES**

**A) Assets**

**1) Deposits**

**Custodial Credit Risk for Deposits:** Deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's agent in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual 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 amount of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization. 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 property secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$52,513 and a bank balance of \$76,265. Of the bank balance, all amounts were covered by Federal Depository Insurance. The Town had \$300 in petty cash on hand.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**A) Assets (Continued)**

**2) Investments**

As of June 30, 2021, the Town had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating (^)	Investment Maturities in Years				
			Fair Value	< 1 yr.	1-3 yrs.	3-5 yrs.	> 5 yrs.
NCCMT Government Portfolio	Level 1	AAAm	\$ 367,830	\$ 367,830	\$ -	\$ -	\$ -
Total			\$ 367,830	\$ 367,830	\$ -	\$ -	\$ -

(^) If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

(1) See Note I.C.13 for details of the Town's fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

**Custodial Credit Risk:** For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name.

**Interest Rate Risk:** The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months. Also, the Town's internal management policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than two years.

**Credit Risk:** The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated.

**3) Property Taxes Receivable**

Gross property taxes receivable of \$132,524 represent current and delinquent real and personal property. All net property taxes receivable at year end, except those collected within 90 days, are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

The Town's fiscal year 2021 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2020, were levied in July 2020 based on a rate of .55 for the General Fund. The Town's assessed value of real and personal property for tax year 2020 was approximately \$51 million for the Town's General Fund.

Effective as of September 1, 2013, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources (when applicable).

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**A) Assets (Continued)**

**4) Intergovernmental and Other Receivables**

The Town has other significant intergovernmental and other receivables related to (a) sales and utility franchise taxes (a) federal, state, and local grants, and (c) shared and refundable taxes (i.e., sales and use tax, alcoholic beverage, utilities tax, etc.) for revenues primarily collected by the State and remitted to the Town.

**5) Capital Assets**

Capital asset activity for the Town's governmental activities for the year ended June 30, 2021 was as follows:

	Beginning Balance	Restatement	Beginning Balance Restated	Increases	Decreases	Ending Balance
Governmental Activities:						
Capital Assets, Non-Depreciable:						
Land	\$ 64,473	\$ -	\$ 64,473	\$ -	\$ -	\$ 64,473
Total Capital Assets, Non-Depreciable	64,473	-	64,473	-	-	64,473
Capital Assets, Depreciable:						
Buildings and improvements	560,504	-	560,504	-	-	560,504
Equipment and furniture	269,669	12,259	281,928	2,000	-	283,928
Vehicles	255,347	-	255,347	-	-	255,347
Total Capital Assets, Depreciable	1,085,520	12,259	1,097,779	2,000	-	1,099,779
Less: Accumulated Depreciation for:						
Buildings and improvements	167,120	-	167,120	12,780	-	179,900
Equipment and furniture	202,515	1,459	203,974	5,696	-	209,670
Vehicles	233,287	-	233,287	6,148	-	239,435
Total Accumulated Depreciation	602,922	1,459	604,381	24,624	-	629,005
Total Capital Assets, Depreciable, Net	482,598	10,800	493,398	(22,624)	-	470,774
Governmental Activities Capital Assets, Net	\$ 547,071	\$ 10,800	\$ 557,871	\$ (22,624)	\$ -	\$ 535,247

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**A) Assets (Continued)**

**5) Capital Assets (Continued)**

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

Functions/Programs	Depreciation Expense
General Government	\$ 11,140
Public Safety	3,776
Transportation	8,981
Culture and Recreation	727
Total - Governmental Activities	\$ 24,624

In accordance with new financial reporting standards issued by the Governmental Accounting Standards Board's Statement Number 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires certain note disclosures. During the June 30, 2021 fiscal year the Town experienced no impairments.

**B) Liabilities**

**1) Pension Plans and Postemployment Obligations**

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

**Plan Description.** The Town 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 ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report ("CAFR") for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

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

**Contributions.** Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.20% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town and by employees were \$17,681 and \$9,856 for the year ended June 30, 2021, respectively.

**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/ Inflows of Resources Related to Pensions.** At June 30, 2021, the Town reported a liability of \$57,175 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined.

At the June 30, 2021 measurement date, the Town's proportion was 0.00160%, which was a decrease of 0.00025% from its proportion of 0.00185% measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of \$19,088. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 7,220	\$ -
Changes in Assumptions	4,255	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,046	-
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,095	4,414
Employer Contributions Subsequent to the Measurement Date	17,681	-
	\$ 38,297	\$ 4,414

\$17,681 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions will increase (decrease) pension expense as follows:

<u>For Year Ended June 30:</u>	
2022	\$ 4,758
2023	6,230
2024	2,834
2025	2,380
Total	\$ 16,202

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment 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	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e., general, law enforcement officer) and health status (i.e., disabled, 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:

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

The information above is based on 30-year expectations developed with the consulting actuary for the 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 Analysis.** The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 116,001	\$ 57,175	\$ 8,286

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



**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

**Plan Description.** The Town administers the Law Enforcement Officers Special Separation Allowance (“Separation Allowance” or “LEOSSA”), 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service.

The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

	Law Enforcement Officers
Retirees receiving benefits	1
Active plan members	2
Total	3

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

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

**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:

Inflation	2.5 percent
Salary Increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount Rate	1.93 percent
Cost of Living Adjustments	N/A

The discount rate is based on the yield 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.

**Contributions.** The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund 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 \$6,982 as benefits came due for the reporting period.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2021, the Town reported a total pension liability of \$60,976. 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 \$11,169.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 11,282	\$ -
Changes in Assumptions	13,738	318
Town Benefit Payments and Plan Administrative Expense Made Subsequent to the Measurement Date	6,982	-
	<u>\$ 32,002</u>	<u>\$ 318</u>

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

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

\$6,982 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions will be recognized in pension expense as follows:

<u>For Year Ended June 30:</u>	
2022	\$ 8,483
2023	8,112
2024	5,296
2025	2,811
2026	-
Thereafter	-
Total	<u>\$ 24,702</u>

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 891,081	\$ 814,675	\$ 744,726

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.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**1) Pension Plans and Postemployment Obligations (Continued)**

**c. Supplemental Retirement Income Plan for Law Enforcement Officers (Continued)**

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

Total Pension Liability as of December 31, 2020	\$ 43,081
Changes for the Year:	
Service Cost at End of Year	1,395
Interest on the Total Pension Liability	1,291
Differences Between Expected and Actual Experience	5,669
Changes of Assumptions and Other Inputs	16,522
Benefit Payments	<u>(6,982)</u>
Net Changes	<u>\$ 17,895</u>
Total Pension Liability as of December 31, 2020	<u><u>\$ 60,976</u></u>

**Plan Description.** The Town contributes to the Supplemental Retirement Income Plan for Law Enforcement Officers ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to all employees of 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 is included in the CAFR for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**2) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Deferred outflows of resources is comprised of the following:

Source	Amount
Pension deferrals - LEOSSA	\$ 38,297
Pension deferrals - LGERS	32,002
Total	\$ 70,299

Deferred inflows of resources is comprised of the following:

Source	Amount
Pension deferrals - LEOSSA	\$ 4,414
Pension deferrals - LGERS	318
Total	\$ 4,732

**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 has property, general liability, and auto liability through Argonaut Great Central Insurance Co. They carry workmen's compensation coverage up to statutory limits, and employee health coverage up to a \$1 million lifetime limit. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Town has elected not to carry additional flood insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town Officials that have access to funds are bonded under a blanket bond for \$25,000. The Finance Officer is individually bonded for \$50,000.

**4) Installment Purchases**

The Town issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. Installment Purchase Contracts ("IPC") are collateralized by the assets being financed and are not secured by the taxing power of the Town.

Details on the Town's outstanding debt issues as of June 30, are as follows:

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**4) Installment Purchases (Continued)**

Installment Purchases:

In January 2008, the Town borrowed funds for building improvements for the Town Hall with a \$153,000 USDA loan, with annual payments of \$9,119, to to exceed 30-years with interest at 4.25% \$ 108,813

In April 2017, the Town purchased a 2017 Dodge Charger for \$28,624. The Town received a loan from Southern Bank for 5 years at 3.25%. The monthly principal payments are \$447. 3,832

In September 2019, the Town financed a lawnmower through Sheffield Financial for 4 years. The Town makes monthly payments in the amount of \$255. 6,640

\$ 119,285

Annual debt service payments of the installment purchase as of June 30, 2021, including \$46,834 of interest, are as follows:

For Year Ended	Installment Purchase Contracts		
<b>Governmental Activities:</b>	Principal	Interest	Total
2022	\$ 10,443	\$ 5,257	\$ 15,700
2023	8,698	4,434	13,132
2024	5,394	4,234	9,628
2025	5,092	4,027	9,119
2026	5,308	3,810	9,118
2027-2031	30,123	15,470	45,593
2032-2036	37,090	8,502	45,592
2037-2038	17,137	1,100	18,237
Totals	<u>\$ 119,285</u>	<u>\$ 46,834</u>	<u>\$ 166,119</u>

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**III) DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B) Liabilities (Continued)**

**4) Installment Purchases (Continued)**

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Restatement	Beginning Balance Restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Debt:							
USDA Town Hall Loan	\$ 113,124	\$ -	\$ 113,124	\$ -	\$ 4,311	\$ 108,813	\$ 3,546
Southern Bank 2017 Dodge Charger	9,557	-	9,557	-	5,725	3,832	3,832
Lawnmower	-	9,705	9,705	-	3,065	6,640	3,065
Total Debt	<u>122,681</u>	<u>9,705</u>	<u>132,386</u>	<u>-</u>	<u>13,101</u>	<u>119,285</u>	<u>10,443</u>
Compensated Absences	1,448	-	1,448	1,488	-	2,936	2,936
Net Pension Liability-LGERS	50,522	-	50,522	6,653	-	57,175	-
Total Pension Liability-LEOSSA	<u>35,422</u>	<u>-</u>	<u>35,422</u>	<u>25,554</u>	<u>-</u>	<u>60,976</u>	<u>-</u>
	<u>87,392</u>	<u>-</u>	<u>87,392</u>	<u>33,695</u>	<u>-</u>	<u>121,087</u>	<u>2,936</u>
Total Governmental Activities	<u>\$ 210,073</u>	<u>\$ 9,705</u>	<u>\$ 219,778</u>	<u>\$ 33,695</u>	<u>\$ 13,101</u>	<u>\$ 240,372</u>	<u>\$ 13,379</u>

Resources from the General Fund have generally been used to liquidate the Town's governmental activities' long-term obligations.

**IV) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS**

**A) Contingent Liabilities and Commitments**

**1) Commitments**

The Town entered into a contract with NC Eastern Municipal Power Agency to purchase electricity for the Town which runs indefinitely. Under the contract, the Town is committed to purchase power at variable rates each year.

**TOWN OF GASTON, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2021**

**IV) SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS (Continued)**

**A) Contingent Liabilities and Commitments (Continued)**

**2) Federal and State Assisted Programs**

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

**V) FUND BALANCE**

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

Total Fund Balance - General Fund	\$ 534,601
Less:	
Stabilization by State Statute	<u>(119,474)</u>
Remaining Fund Balance - General Fund	<u>\$ 415,127</u>

The Town has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use 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.

**VI) SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 21, 2023 which is essentially the date financial statements were available to be issued. The Town has not evaluated subsequent events after that date. There were no subsequent events during this period that require disclosure.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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Schedule of Changes in the Town's Total Pension Liability -  
Law Enforcement Officers' Special Separation Allowance

Schedule of the Town's Total Pension Liability as a Percentage of  
Covered Payroll - Law Enforcement Officers' Special Separation Allowance

Schedule of the Towns' Proportionate Share of Net Pension Liability (Asset) -  
Local Government Employees' Retirement System

Schedule of the Town's Contributions - Local Government Employees'  
Retirement System

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of Changes in the Town's Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Four Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance of the total pension liability	\$ 43,081	\$ 37,435	\$ 35,422	\$ 30,595
Changes for the year:				
Service Cost	1,395	1,441	2,373	1,786
Interest on total pension liability	1,291	1,236	1,027	1,181
Differences between expected and actual experience in the measurement of the total pension liability	5,669	9,278	5,265	-
Changes of assumptions or other inputs	16,522	673	(834)	1,860
Benefit payments	<u>(6,982)</u>	<u>(6,982)</u>	<u>(5,818)</u>	<u>-</u>
Net changes	17,895	5,646	2,013	4,827
Ending balance of the total pension liability	<u>\$ 60,976</u>	<u>\$ 43,081</u>	<u>\$ 37,435</u>	<u>\$ 35,422</u>

Notes to schedule:

The amounts presented for each fiscal year were determined as of the prior year ending December 31.  
The Town implemented GASB #73 during the year ended June 30, 2019. Information before 2019 is not available.

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of the Town's Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**Last Four Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 60,976	\$ 43,081	\$ 37,435	\$ 35,422
Covered payroll	81,922	79,810	131,075	107,711
Total pension liability as a percentage of covered payroll	74.43%	53.98%	28.56%	32.89%

Notes to schedule:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits. The Town implemented GASB #73 during the year ended June 30, 2019. Information before 2019 is not available.

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

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of the Town's Proportionate Share of Net Pension Liability (Asset)**  
**Local Government Employees' Retirement System**  
**Last Eight Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the net pension liability (asset)	0.00160%	0.00185%	0.00194%	0.00174%
Town's proportionate share of the net pension liability (asset)	\$ 57,175	\$ 50,522	\$ 46,023	\$ 26,582
Town's covered payroll	\$ 116,475	\$ 77,159	\$ 119,595	\$ 147,317
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.09%	65.48%	38.48%	18.04%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	96.51%	96.15%	94.18%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset)	0.00190%	0.00193%	0.00228%	0.00240%
Town's proportionate share of the net pension liability (asset)	\$ 41,173	\$ 8,662	\$ (12,584)	\$ 28,929
Town's covered payroll	\$ 127,856	\$ 102,267	\$ 107,069	\$ 118,452
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.20%	8.47%	-11.75%	24.42%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

Notes to schedule:

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. The Town implemented GASB #68/71 during the year ended June 30, 2014. Information before 2014 is not available.

\* 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.

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of the Town's Contributions**  
**Local Government Employees' Retirement System**  
**Last Eight Fiscal Years\***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 17,681	\$ 11,114	\$ 6,379	\$ 9,674
Contributions in relation to the contractually required contribution:	17,681	11,114	6,379	9,674
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 164,265	\$ 116,475	\$ 77,159	\$ 119,595
Contributions as a percentage of covered payroll	10.76%	9.54%	8.27%	8.09%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 11,608	\$ 9,055	\$ 8,686	\$ 8,255
Contributions in relation to the contractually required contribution:	11,608	9,055	8,686	8,255
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 147,317	\$ 127,856	\$ 102,267	\$ 107,069
Contributions as a percentage of covered payroll	7.88%	7.08%	8.49%	7.71%

Notes to schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2014. Information before 2014 is not available.

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

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## INDIVIDUAL FUND SCHEDULES

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**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2021**

**Schedule 1**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes:			
Taxes	\$ 257,070	\$ 269,984	\$ 12,914
Penalties and interest	3,500	8,424	4,924
Total	<u>260,570</u>	<u>278,408</u>	<u>17,838</u>
Other taxes and licenses:			
North Carolina sales tax refund	2,000	2,112	112
Beer and wine	60	80	20
Total	<u>2,060</u>	<u>2,192</u>	<u>132</u>
Unrestricted intergovernmental:			
Local option sales taxes	270,000	338,406	68,406
Utility franchise tax	65,350	66,434	1,084
Beer and wine tax	5,000	4,565	(435)
ABC profit distribution	1,250	575	(675)
Total	<u>341,600</u>	<u>409,980</u>	<u>68,380</u>
Restricted intergovernmental:			
Powell Bill allocation	38,500	36,038	(2,462)
SRO reimbursement	69,665	65,236	(4,429)
Coronavirus relief fund	-	32,509	32,509
Total	<u>108,165</u>	<u>133,783</u>	<u>25,618</u>
Permits and fees			
Zoning and sign permits	500	281	(219)
Recreation fees	-	85	85
Total	<u>500</u>	<u>366</u>	<u>(134)</u>
Sales and services			
Town decal fees	3,000	3,336	336
Town services	800	1,750	950
Rental income	7,500	4,584	(2,916)
	<u>11,300</u>	<u>9,670</u>	<u>(1,630)</u>
Investment earnings			
	<u>3,000</u>	<u>363</u>	<u>(2,637)</u>
Miscellaneous:			
Clerk of courts	100	3,548	3,448
Miscellaneous	9,500	11,713	2,213
Total	<u>9,600</u>	<u>15,261</u>	<u>5,661</u>
Total revenues	<u>736,795</u>	<u>850,023</u>	<u>113,228</u>

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2021**

**Schedule 1**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>			
General government:			
Salaries and benefits		48,226	
County collection fees		11,005	
Telephone		6,944	
Professional services		12,403	
Dues and subscriptions		4,629	
Municipal building		8,711	
Insurance and bonds		90,768	
Supplies		5,084	
Utilities		55,467	
Other operating expenses		29,223	
Total general government	264,186	272,460	(8,274)
Public safety:			
Salaries and benefits		205,174	
Equipment repairs		14,184	
Fuel		8,657	
Supplies		4,182	
Fire department		22,009	
Uniforms		3,351	
Other operating expenses		28	
Total public safety	266,164	257,585	8,579
Transportation			
Salaries and benefits		28,294	
Auto		5,586	
Street maintenance		11,534	
Equipment repairs		6,348	
Other operating expenses		2,390	
Total transportation	75,380	54,152	21,228
Environmental protection			
Salaries and benefits		54,756	
Fuel		3,473	
Repairs		1,934	
Solid waste fees		15,975	
Mosquito control		5,022	
Total environmental protection	94,835	81,160	13,675



**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**General Fund**  
**For the Year Ended June 30, 2021**

**Schedule 1**  
**(Continued)**

	Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES (CONTINUED)</b>			
Culture and recreation			
Salaries and benefits		8,343	
Utilities		1,266	
Other operating expenses		999	
Total culture and recreation	17,345	10,608	6,737
Debt service:			
Principal	13,101	13,101	-
Interest	5,784	5,756	28
Total debt service	18,885	18,857	28
Total expenditures	736,795	694,822	41,973
Net change in fund balance	-	155,201	155,201
Net change in fund balance	\$ -	155,201	\$ 155,201
Fund balance, beginning		379,400	
Fund balances, ending		\$ 534,601	

**TOWN OF GASTON, NORTH CAROLINA**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

**Schedule 2**

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 282,955	\$ 241,761	\$ 41,194
2019-2020	25,777	-	12,452	13,325
2018-2019	17,602	-	4,225	13,377
2017-2018	15,584	-	3,062	12,522
2016-2017	15,498	-	2,301	13,197
2015-2016	14,377	-	2,150	12,227
2014-2015	13,145	-	1,862	11,283
2013-2014	8,823	-	1,619	7,204
2012-2013	6,181	-	624	5,557
2012 and prior	3,231	-	593	2,638
	\$ 120,218	\$ 282,955	\$ 270,649	132,524
Less: allowance for uncollectible accounts:				
General Fund				-
Ad valorem taxes receivable - net				132,524
<u>Reconciliation to revenues:</u>				
Ad valorem taxes - General Fund				269,984
Reconciling items:				
Interest collected				8,424
Releases				(7,759)
Subtotal				665
Total collections and credits				\$ 270,649

TOWN OF GASTON, NORTH CAROLINA

Schedule 3

Analysis of Current Tax Levy

Town-Wide Levy

June 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 51,446,414	0.55	\$ 282,955	\$ 241,399	\$ 41,556
Net levy			282,955	241,399	41,556
Unpaid (by taxpayer) taxes at June 30, 2020			(41,194)	(41,194)	-
Current year's taxes collected			\$ 241,761	\$ 200,205	\$ 41,556
Current levy collection percentage			85.44%	82.94%	100.00%