

**REVIEWED**

*By SLGFD at 6:55 am, Nov 18, 2021*

# **Annual Comprehensive Financial Report Year Ended June 30, 2021**

## **Town of Kernersville, North Carolina**



**Dawn H. Morgan, Mayor**

**Jenny Fulton, Mayor Pro-Tem**

**Bruce Boyer**

**Kenny Crews**

**Joe L. Pinnix, Jr.**

**Chris Thompson**

**Curtis L. Swisher**

**Town Manager**

**Franz Ader**

**Finance Director**

**Cynthia Stevens**

**Accounting Operations Manager**

**“Prepared by the Finance Department”**

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## ***Introductory Section***

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# **Town of Kernersville, North Carolina**

## **List of Principal Officials**

### **Board of Aldermen**

Dawn H. Morgan, Mayor  
Jenny Fulton, Mayor Pro-Tem  
Bruce Boyer  
Kenny Crews  
Joe L. Pinnix Jr.  
Chris Thompson

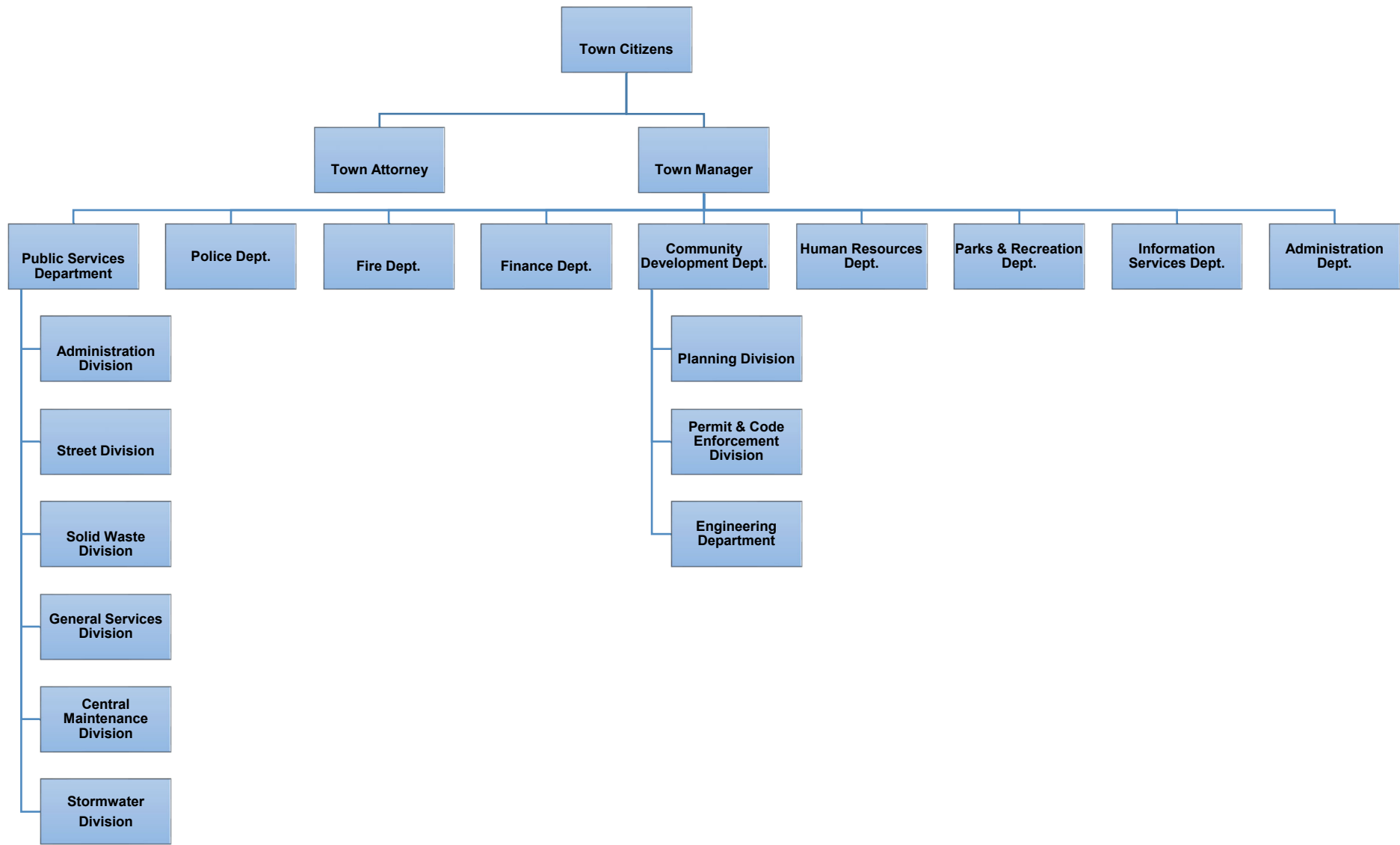
### **Town Manager**

Curtis L. Swisher

### **Finance Director**

Franz Ader

Organizational Chart



P.O. Box 728  
Kernersville, NC 27285-0728

134 East Mountain Street  
Telephone (336) 996-3121  
Fax (336) 996-4822

## **Letter of Transmittal**

Honorable Mayor  
Members of the Board of Aldermen  
**Town of Kernersville, North Carolina**

### **Town Profile**

The Town of Kernersville, incorporated in 1871 and uniquely centered between the cities of Greensboro, High Point and Winston-Salem, continues to grow and prosper. According to North Carolina state demographics, Kernersville has a population of 26,497 as of July 1, 2020 and occupies a land area of 18.423 square miles.

The Town is empowered by the state of North Carolina to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The Town of Kernersville has operated under the council-manager form of government since 1965. Policy-making and legislative authority are vested in a Board of Aldermen (Board) consisting of the mayor and five other members. The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the Town's manager and attorney. The Town Manager is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Board is elected on a non-partisan basis and members, including the Mayor, serve two-year terms. The Town of Kernersville provides a range of services including: police and fire protection, street maintenance/construction, fire and building inspections, community development, garbage collection and recreational activities.

### **Local Economy and Long-Term Financial Planning**

The local economy continues to experience growth during this fiscal year, which has allowed Kernersville to increase its tax base. Planning for the needs of the community and enhancing the quality of life in Kernersville are two of the Town's top goals. Kernersville continues to develop and benefit from the considerable efforts of the Town's departments and long-range planning. Job growth continues to take place which is stimulating residential growth back to of level of pre-recession growth.

## **Development Activity**

The overall valuation of new construction for fiscal year-end (FYE21) is \$137,576,436; a 44% decrease from FYE20 as detailed below. The Town permitted 481,961 square feet of new commercial space, including new restaurants, medical/dental offices, apartments, and commercial additions. Projects of note include a 97,450 sq. ft. load wing addition at FedEx, a 10,800 sq. ft. Antique Car Museum, and a large apartment complex at Welden Village – a 385 acre mixed-use development including both residential and commercial features. Also, the Town issued 357 single-family residential permits.

## **Commercial, Institutional and Industrial**

- The Town issued permits for 32 new buildings, of which 22 were valued over \$100k.
- New commercial projects in this category include the Welden Pool Complex (\$2,000,000+), six Welden Park Apartments (\$2,100,000+ each), and six apartment buildings at the Knolls at Mill Creek (\$400,000+ each), and a dental office (1,300,000+).
- Several permits were issued for projects at Triad Business Park, a 313-acre mixed use development site consisting of office, manufacturing, and distribution facilities. The largest was the FedEx Load Wing Addition, valued at \$20,000,000.
- The Town issued 66 permits for commercial upfits, of which 16 were valued over \$100k. Projects include Dunkin Donuts (\$225,000), Novant CT suite (\$682,000), Novant Radiology suite (\$390,000), Amazon Training Room (\$905,000), Charlestown Shopping Center (\$311,000), Factory Event Center (\$230,000), Graphic Connections (\$128,000), Duck Duck Juice (\$233,000), Monte de Ray restaurant (\$432,000), FedEx Conveyors (\$20,000,000), Novant car wash (\$338,000), Reynolda Church (\$160,000), Mosaic Pediatric Therapy (\$196,000), and Salem One (\$100,000).

## **Infrastructure**

Some of the most significant infrastructure projects that are currently under construction or have been completed during the fiscal year 2020-2021 include the following:

- The Kerners Mill Creek Greenway Park is a greenway extending from Oakhurst Drive to Hopkins Road along the Kerners Mill Creek will go out to bid in FY 2020-21.
- NCDOT is completing construction of the Macy Grove Road extension from Business-40 to Piney Grove Road. Construction on the first phase from East Mountain Street to North Main Street has begun. The second phase from North Main Street to Piney Grove Road is projected to start in 2023. This extension provides a by-pass around the northern portion of Town and further economic development on the north side of Town.
- NCDOT is currently finalizing the design of the Business-40 Big Mill Farm Road interchange and road widening of Hopkin Road from Big Mill Farm to NC 66. This interchange and road widening provides traffic relief to the South Main Street regional commercial center.

Projects like this have a positive impact on the Town's economy which will further provide increased revenues to fund the necessary services needed to keep the Town vibrant and flourishing. New businesses will continue to locate in Kernersville due to its strategic central location in the Piedmont Triad Metropolitan Region, quality of life, and financial stability. The Town will continue to enjoy growth in the residential and business arena with such major business facilities as FedEx Ground's 125-acre regional hub; Amazon's new 1,000,000+ square foot fulfillment center; Deere Hitachi's 1,000,000+ square foot manufacturing complex and corporate headquarters; Veterans Administration's regional health clinic; and Novant's regional medical center. Many of these anchor industries are expanding or planning upcoming expansions. Their location in Kernersville is attracting additional industrial and logistics corporations to the Town.

## **Community Participation**

Partnering with Town officials, local citizen groups are adding to the success of Kernersville. While the Town has many organizations that are standard to most communities, it has several unique associations that many cities and towns do not have. These organizations add value to the community in a way that further increases the Town's appeal to prospective businesses and residents. In addition to numerous civic, craft, recreational and newcomer organizations, the Town has: Kernersville Cares for Kids, Kernersville Little Theatre, Shepherd's Center of Kernersville (for seniors), Kernersville Community Appearance, Körner's Folly Foundation (historic in nature), Paul J. Ciener Botanical Garden, Chamber of Commerce and the Kernersville Council. These organizations add "flavor" and support to Kernersville benefiting both the citizens and the local economy. All of these efforts, and others, enable me to provide an annual financial report that reflects a stable local economy and a financially sound government for the fiscal year ended June 30, 2021.

## **The Report**

The Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2021 reflects the fiscal policies our elected officials have established to achieve their annual priorities for program services and capital improvements. The Town's continued economic growth coupled with realistic long-term planning, management of resources and conservative use of debt are all a part of a proven formula to ensure positive operating results.

This ACFR consists of management's representations concerning the finances of the Town of Kernersville for the fiscal year ended June 30, 2021. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented herein. Management of the Town of Kernersville has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

North Carolina general statutes require each unit of local government to publish, within four months after the close of the fiscal year, a complete set of financial statements presented in conformity with GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, the Town engaged Dixon Hughes Goodman LLP, independent auditors, to perform an audit of the Town's reported financial position and results of operations contained in the government-wide, fund financial statements and notes to the financial statements. Working with the Town's financial staff, they made appropriate tests of data included in the financial statements and evaluated the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the financial statements of the Town of Kernersville for the fiscal year ended June 30, 2021 are fairly presented in conformity with generally accepted accounting principles. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Kernersville is part of a broader, state mandated "Single Audit" designed to meet the special needs of state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Town's internal controls and compliance with legal requirements, with emphasis on administration of state grants.

The system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with state statutes, GAAP, authorization of the Board, and that financial records are a reliable basis for preparation of annual financial statements. The system includes selection and training of qualified personnel, an organizational structure that provides appropriate delegation of authority and separation of responsibilities, an understanding of financial policies and procedures, and an internal audit program.

Assuring legal compliance with state statutes requires an accounting system that contains a variety of distinctly different fiscal and accounting entities. The annual budget serves as the foundation for the Town's financial planning and control. The Board is required to legally enact a final budget, by way of a Budget Ordinance or Project Ordinance, before the close of the fiscal year. The Budget Ordinance and Project Ordinances are prepared by fund and department, and are formally amended by the Board, when required. The Town Manager is authorized to transfer budget amounts between line items within a department, but changes between departments and/or funds require approval of the Board.

Conservative budgeting is management's key strategy to maintaining financial stability and it is an integral part of the Town's financial policy. The healthy fund balance of the Town's chief fund, the General Fund, attests to that

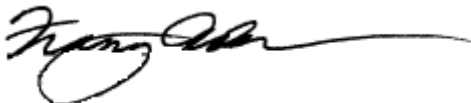
### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada has awarded the highest form of recognition of governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting, to the Town of Kernersville for each Annual Financial Report (Comprehensive) since 1997. We believe that this 2021 ACFR conforms to the highest reporting standards as well.

Deserving special commendation for the success of the Town's operations are skilled, talented and dedicated employees - the work force of the Town of Kernersville. Acknowledgement and appreciation are expressed for their contributions to another successful year. I also express my appreciation to the Mayor, Board of Aldermen and Town Manager for leadership, guidance, and establishment of policies for managing financial operations in a sound and progressive manner.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Kernersville's MD&A can be found immediately following the report of the independent auditors

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Franz Ader', with a long horizontal flourish extending to the right.

Franz Ader, MPA  
Finance Director  
October 29, 2021



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Kernersville  
North Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2020**

*Christopher P. Morill*

Executive Director/CEO

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## ***Financial Section***

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## Independent Auditors' Report

Honorable Mayor and Members  
of the Town Board of Aldermen  
Town of Kernersville  
Kernersville, NC

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 17, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 68 and 69, respectively, the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 70, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 71 and 72, respectively, be presented to supplement the basic financial statements. Such information, although not 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 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 basic financial statements of the Town of Kernersville, North Carolina. The introductory section, combining and individual non-major fund statements and schedules, other supplementary information, the statistical section, and the Schedule of Expenditures of Federal and State Awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirement for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021 on our consideration of the Town of Kernersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kernersville's internal control over financial reporting completion.

*Dixon Hughes Goodman LLP*

High Point, NC  
October 29, 2021

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## Management's Discussion and Analysis

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

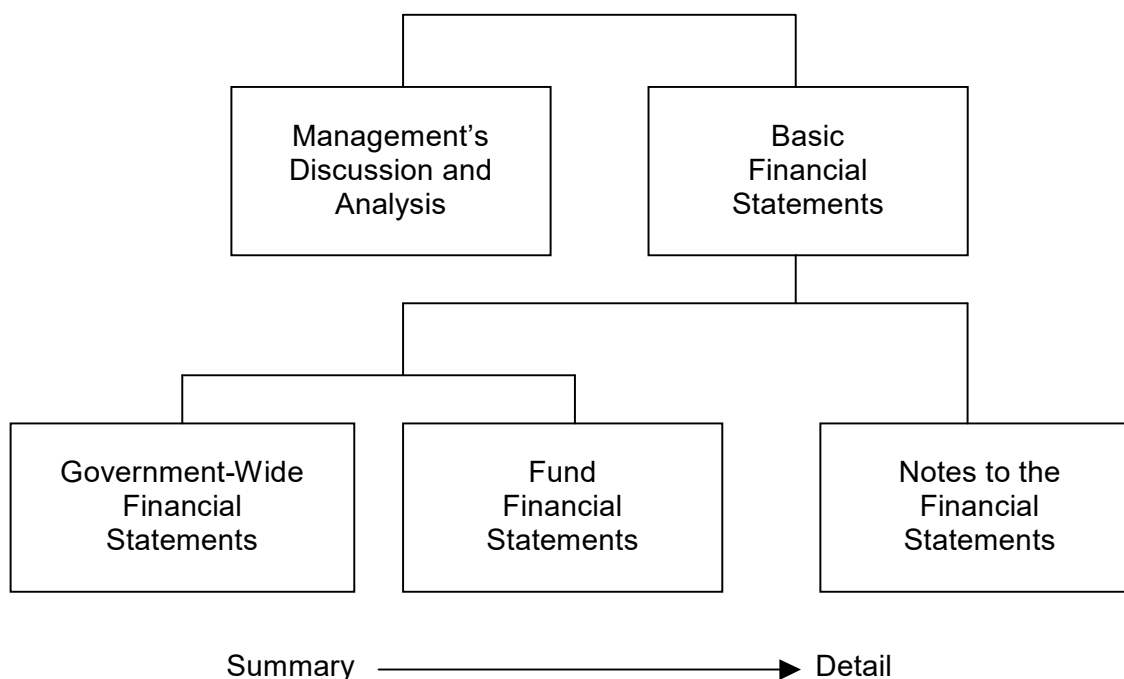
### Financial Highlights

- The assets and deferred outflows of resources of the Town of Kernersville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$134,132,443.
- The government's total net position increased by \$1,337,184 in the current fiscal year, primarily the result of additional property taxes levied for general purposes that were received during the year.
- As of the close of the current fiscal year, the Town of Kernersville's governmental funds reported combined ending fund balances of \$20,209,735. Approximately 44.4% of this total amount, or \$8,963,557 is available for spending at the government's discretion (unassigned).
- Approximately 24.3% of the total combined governmental fund balance or \$4,907,993 is committed to capital projects and about 28.6% or \$5,778,383 is non-spendable or restricted either by state statute or funding source.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$8,963,557 represented 26.2% of total General Fund expenditures for the fiscal year.
- The Town of Kernersville's total debt of both governmental and business-type activities had a net decrease of \$3,381,693 during the fiscal year ending June 30, 2021. The net decrease was primarily the result of the decrease in both state revolving sewer loan and street construction refunding bond payments, as well as a decrease in installment purchase loan payments.
- The Town of Kernersville bond rating from the Standard and Poor's Corporation is AA+ on its street construction refunding bonds. Moody's Investor Service rated this issue at Aa2. The street construction refunding bonds represent the only general obligation debt of the Town. At June 30, 2021, the outstanding principal of the street construction refunding bonds was \$1,230,000.
- For fiscal year 2020-2021, the Town's property tax rate was \$0.5700 and supported 54.8% of governmental services to citizens and the community based on government-wide statements.
- During the fiscal year, the Town implemented GASB Statement No. 84, Fiduciary Activities. The implementation of this standard did not result in the creation of any new funds and the Fiduciary information was previously accounted for in a stand-alone fund.

### Overview of the financial statements

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

Required Components of Annual Financial Report  
Figure 1



### ***Basic financial statements***

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

The next statements (Exhibits 3 through 10) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are four parts to the Fund Financial Statements: (1) the governmental funds statements; (2) the budgetary comparison statements (3) the proprietary fund statements; and (4) the fiduciary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain, in detail, some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes can also 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 present all of the Town's governmental activities. The governmental activities include the Town's basic services such as public safety, public service, parks and recreation, and general administration. Property taxes, other taxes, intergovernmental revenues, and state and federal grant funds finance most of these activities.

The required supplemental financial data are on Schedules A through C of this report.

### ***Fund financial statements***

The fund financial statements (see Exhibit 3 through 8) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Kernersville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Kernersville can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** - Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed, short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between governmental activities (reported in Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Kernersville adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current-period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: (1) the original budget as adopted by the Board; (2) the final budget as amended by the Board; (3) the actual resources, charges to appropriations, and ending balances in the General Fund; and (4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary funds** - The Town's Internal Service Fund is classified as a type of proprietary fund. The Town uses an internal service fund to account for its Self-Insurance operations. Because this operation benefits governmental activities, the internal service fund has been included within the Governmental Activities in the government-wide financial statements. The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs.

**Fiduciary funds** - Fiduciary funds are used to account for resources held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The Town uses a fiduciary fund to account for the payments to be made on behalf of the City/County Utility Commission ("CCUC") Class Action Lawsuit Settlement.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 to 66 of this report.

**Town of Kernersville, North Carolina**  
**Management's Discussion and Analysis**

**Other information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Kernersville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 67 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.

**Town of Kernersville**  
**Government-Wide Financial Analysis**  
**Net Position**  
**Figure 2**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current and other assets	<b>\$ 22,880,887</b>	\$ 19,278,802	<b>\$ 968,635</b>	\$ 1,340,416	<b>\$ 23,849,522</b>	\$ 20,619,218
Capital assets, net	<b>154,506,545</b>	157,054,910	<b>1,213,671</b>	1,249,032	<b>155,720,216</b>	158,303,942
Total assets	<b>177,387,432</b>	176,333,712	<b>2,182,306</b>	2,589,448	<b>179,569,738</b>	178,923,160
Deferred outflows of resources	<b>6,044,982</b>	4,478,770	<b>143,453</b>	127,553	<b>6,188,435</b>	4,606,323
Total assets and deferred outflows of resources	<b>183,432,414</b>	180,812,482	<b>2,325,759</b>	2,717,001	<b>185,758,173</b>	183,529,483
Current liabilities	<b>8,118,225</b>	6,946,347	<b>188,434</b>	354,112	<b>8,306,659</b>	7,300,459
Long-term liabilities	<b>40,203,691</b>	42,199,247	<b>518,042</b>	682,784	<b>40,721,733</b>	42,882,031
Total liabilities	<b>48,321,916</b>	49,145,594	<b>706,476</b>	1,036,896	<b>49,028,392</b>	50,182,490
Deferred inflows of resources	<b>2,537,102</b>	542,463	<b>60,236</b>	9,271	<b>2,597,338</b>	551,734
Total liabilities and deferred inflows of resources	<b>50,859,018</b>	49,688,057	<b>766,712</b>	1,046,167	<b>51,625,730</b>	50,734,224
Net position:						
Net investment in capital assets	<b>135,303,304</b>	135,216,032	<b>1,112,649</b>	871,027	<b>136,415,953</b>	136,087,059
Restricted for:						
Stabilization by state statute	<b>5,244,983</b>	2,684,497	-	-	<b>5,244,983</b>	2,684,497
Tourism	<b>23,986</b>	28,993	-	-	<b>23,986</b>	28,993
Public safety	<b>465,110</b>	388,260	-	-	<b>465,110</b>	388,260
Unrestricted	<b>(8,463,987)</b>	(7,193,357)	<b>446,398</b>	799,707	<b>(8,017,589)</b>	(6,393,550)
Total net position	<b>\$ 132,573,396</b>	\$ 131,124,425	<b>\$ 1,559,047</b>	\$ 1,670,834	<b>\$ 134,132,443</b>	\$ 132,795,259

Over time, net position may serve as one useful indicator of a government's financial condition. The total governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$134,132,443 at June 30, 2021. The largest portion of net position (101.7%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, 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 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

**Town of Kernersville, North Carolina**  
**Management's Discussion and Analysis**

since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$5,734,079, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$(8,017,589) is unrestricted.

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

- Current year property tax collections were \$19,134,504, representing an increase of \$1,020,573, primarily due to new construction being added. This year's property tax collection rate was 99.32%.
- Sales and use tax collections increased \$708,479 over last year's collections to a total of \$6,620,460. This increase of 12.0% over last year's collections represents an above average economic growth in Kernersville.
- Penalties and interest earnings in the governmental funds decreased \$208,673 to a total of \$38,278. This decrease of 84.5% is attributed to a decrease in both the collection of tax penalties and loan escrow account interest.

**Town of Kernersville**  
**Changes In Net Position**  
**Figure 3**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues:						
Program revenues:						
Charges for services	\$ 3,126,005	\$ 2,979,844	\$ 1,174,893	\$ 1,162,898	\$ 4,300,898	\$ 4,142,742
Operating grants and contributions	2,560,738	1,957,603	-	-	2,560,738	1,957,603
Capital grants and contributions	2,078,222	170,205	-	442,924	2,078,222	613,129
General revenues:						
Property taxes	18,762,693	17,650,690	-	-	18,762,693	17,650,690
Other taxes	250,804	259,708	-	-	250,804	259,708
Unrestricted inter-governmental revenues	9,420,485	8,624,285	-	-	9,420,485	8,624,285
Investment earnings, Unrestricted	38,584	263,446	191	9,194	38,775	272,640
Gain (loss) on sale of capital assets	108,625	643,210	-	-	108,625	643,210
Miscellaneous	2,114,874	4,599,840	-	-	2,114,874	4,599,840
Total revenues	<u>38,461,030</u>	<u>37,148,831</u>	<u>1,175,084</u>	<u>1,615,016</u>	<u>39,636,114</u>	<u>38,763,847</u>
Expenses:						
General government	6,445,203	4,646,851	-	-	6,445,203	4,646,851
Public safety	18,387,376	17,581,895	-	-	18,387,376	17,581,895
Public service	8,986,468	10,507,974	-	-	8,986,468	10,507,974
Culture and recreation	2,476,422	2,500,759	-	-	2,476,422	2,500,759
Stormwater	-	-	1,519,176	1,626,276	1,519,176	1,626,276
Unallocated interest expense	484,285	570,962	-	-	484,285	570,962
Total expenses	<u>36,779,754</u>	<u>35,808,441</u>	<u>1,519,176</u>	<u>1,626,276</u>	<u>38,298,930</u>	<u>37,434,717</u>
Increase (decrease) in net position before transfers	1,681,276	1,340,390	(344,092)	(11,260)	1,337,184	1,329,130
Transfers	(232,305)	(231,805)	232,496	232,305	-	-
Increase (decrease) in net position	1,448,971	1,108,585	(111,787)	220,545	1,337,184	1,329,130
Net position, beginning	131,124,425	130,015,840	1,670,834	1,450,289	132,795,259	131,466,129
Net position, ending	<u>\$ 132,573,396</u>	<u>\$ 131,124,425</u>	<u>\$ 1,559,047</u>	<u>\$ 1,670,834</u>	<u>\$ 134,132,443</u>	<u>\$ 132,795,259</u>

## Town of Kernersville, North Carolina Management's Discussion and Analysis

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**Governmental activities.** The Town's net position from governmental activities increased by \$1,448,971 during the year. This net increase is primarily the result of general revenues exceeding expenses for the fiscal year ending June 30, 2021.

**Business-type activities.** The Town's net position from business-type activities decreased by \$111,787 during the year. This net increase is primarily the result of capital grant contributions.

### ***Financial analysis of the Town's funds***

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

**Governmental funds.** The focus of the Town of Kernersville'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.

The General Fund is the chief operating fund of the Town of Kernersville. At the end of the current fiscal year, the total fund balance was \$15,907,002 of which \$5,260,380 was restricted or non-spendable and \$10,646,575 was either committed, assigned or unassigned. \$5,216,321 was restricted by state statute. Committed fund balance amounted to \$1,123,018 and is set aside for capital projects. \$560,000 was assigned and \$8,963,557 was unassigned.

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. The unassigned General Fund - fund balance of \$8,963,557 represents 26.2% of total General Fund expenditures, while the total General Fund - fund balance of \$15,907,002 represents 46.6% of that same amount.

The Kerner Mill Capital Projects fund balance at the end of the fiscal year was \$2,356,431 with the entire amount committed for capital projects. The fund exhibited an increase of \$2,350,923 or 42,682.0% increase. This was due to the large transfer from the general fund during the year for planned future year activity.

The Town had six Non-Major Special Revenue or Capital Project Funds: Occupancy Tax Fund, Emergency Telephone System Fund, Contributions Fund, Law Enforcement Forfeitures Fund, Fire Department Facility Capital Projects Ordinance Fund, and the Recreation Department Capital Projects Ordinance Fund. These funds had a total fund balance of \$1,946,302 at the fiscal year end. Of this amount, \$517,758 was restricted by state statute or other uses, while \$1,428,544 was committed for capital projects.

Key changes in several non-major special revenue funds are summarized in the following narrative. The Occupancy Tax Fund had an increase in fund balance of 14.4% or \$5,423 due to the occupancy tax being 32.3% more than budgeted. The Emergency Telephone System Fund saw an increase in fund balance of 17.5% or \$18,306, due primarily to public safety expenditures being 20.8% or \$16,852 less than budgeted. The Contributions Fund had a decrease in fund balance of \$(10,486) or (11.6%), primarily due to revenues being 70.4% or \$20,034 less than budgeted. The Law Enforcement Forfeiture Fund had an increase in fund balance of \$69,030 or 35.8%, due primarily to Police Department expenditures being \$(56,061) or (57.6%) less than budgeted.

Of the Non-Major Capital Project Funds, the Fire Department Facility Capital Projects Ordinance Fund had a decrease in fund balance of (18.4%) or \$(10,086), due primarily to expenditures being higher than revenues by \$10,086. Recreation Department Capital Projects Ordinance Fund, a new fund for FYE-2021, had an ending fund balance of \$1,393,347 due primarily to expenditures being higher than revenues.

At June 30, 2021, the total of the General Fund and all other governmental funds of the Town reported a combined fund balance of \$20,209,735 with an increase of 23.3% or \$3,820,247 over the previous year. The increase is

primarily due to a 390.6% or \$3,907,564 increase in the committed fund balance across all of the governmental funds.

**General Fund budgetary highlights:** Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services.

There were nine (9) budget amendments during the fiscal year that resulted in a total net increase of \$8,191,345 in budgeted General Fund expenditures. The net increase includes a combination of both carry-over purchases and projects, and construction improvements. Notable budgetary increases include the following: the purchase of property on Beeson Road (\$356,800), funding the demolition of the Abbotts Creek Waste Water Treatment Plant (\$1,754,500), a transfer to the Capital Reserve Fund for Future Recreation Projects (\$1,473,839), transfers to the Kerner Mill Greenway Fund for new construction (\$2,366,477), and street repairs and repaving (\$753,000).

The Numerous budget-to-actual variances in both revenue and expenditure categories warrant further discussion. The most notable budgeted revenue variances occurred in the following four categories: Unrestricted Intergovernmental Revenues, Restricted Intergovernmental Revenues, General Revenues, and Functionally Related Revenues. The Unrestricted Intergovernmental Revenue category had the largest budgetary variance in the total amount of \$1,080,614 or 13.0% primarily due to an increase in collections of local option sales and use tax for \$1,055,765 or 19.0% and an increase in collections of alcoholic beverage tax for \$117,669 or 16.8%. The overall positive variance in the Unrestricted Intergovernmental Revenue category is primarily due to robust commercial and industrial economy. The second largest revenue budgetary variance occurred in the Restricted Intergovernmental Revenues. This category experienced a total variance of \$(885,659) or (22.2%) primarily due to a decrease in the City-County Utilities Commission (CCUC) water and sewer project reimbursements in the amount of \$(839,387) or (46.2%) as a result of projects that did not occur or were not completed by fiscal year end. The third largest revenue budgetary variance occurred in the General Revenue category which consists solely of Ad Valorem Taxes for real property (buildings, houses, etc.), individual/business personal property (equipment) and vehicles. This revenue source had a budget variance of \$658,888 or 3.6% as a result of conservative budget estimates. The Functionally Related Revenue category exhibited a budgetary variance of \$(174,672) or (5.3%) primarily due to a decrease in Recreation Revenue of \$(102,247) or (36.4%) due to program cancellations as a result of the pandemic.

The total net budget variance in the Town's general fund revenue excluding transfers in or out was \$846,353 or 2.3%.

The budget to actual variances were positive in all expenditure categories: General Government, General Services, Public Safety, Public Service, Culture and Recreational, and Debt Service. Notable budget variances within the categories warrant explanation. Within the General Government category, all departments experienced positive budget to actual variances with the category having a budget variance totaling \$342,340 or 4.7%. The greatest variances occurred within the Finance and the Planning/Zoning Departments. The Finance Department had a positive variance of \$86,013 or 8.2%, primarily due to contracted services and professional service expenses being less than projected. The Planning and Zoning Department had a budget variance of \$48,538 or 10.8% primarily due to personnel and operating/maintenance expenses being lower than predicted.

The Public Safety category had a positive budget variance of \$884,371 or 4.9%. All departments within the category experienced positive budget to actual variances with the Police and Fire Departments having the largest. The Police Department had the largest positive budget variance of \$632,248 or 6.6% primarily because personnel-related expenses were lower than predicted and the purchases of several police and administrative vehicles that did not occur. The Fire Department had a positive budget variance of \$146,745 or 1.9% primarily because personnel-related expenses were lower than predicted.

The Public Service category had the greatest positive budget variance totaling \$1,693,092 or 21.2%. Three departments with notable budget variances within the category were the Sanitation, Streets, and Engineering Departments. The Street Department had the largest budget variance of \$672,708 or 24.4% primarily because

## Town of Kernersville, North Carolina Management's Discussion and Analysis

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operation and maintenance expenses were lower than predicted. The Sanitation Department had a budget variance of \$622,137 or 24.1% primarily due to personnel and operating/maintenance being lower than predicted. And an automated refuse truck that was not received before fiscal year end. The Engineering Department had a budget variance of \$236,119 or 40.7% primarily because a sewer study was not conducted nor was a water/sewer construction project completed by fiscal year end.

Within the Cultural and Recreational category, the Recreation Department experienced a positive budget to actual variance totaling \$303,997 or 9.4% primarily due to personnel-related and operating/maintenance expenses being lower than predicted.

The total expenditure variance for all categories and departments within the General Fund including debt service (excluding transfers in or out) was \$3,224,308 or 8.6%. Including transfers and other financing sources, a total of \$179,054 in fund balance was appropriated compared to the budgeted amount of \$4,262,821 to balance General Fund revenues with General Fund expenditures.

**Proprietary funds.** The Town of Kernersville's proprietary funds provide the same type of information found in the government-wide statements. The Town has two proprietary funds: the Stormwater Utility Fund and the Worker's Compensation Fund.

The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs. The Stormwater Enterprise Fund total net position decreased by \$111,787 or (6.7%) during the year to \$1,559,047. This net increase is primarily the result of grant revenue that was received in the current year to offset stream restoration project expenses from the prior year.

The Workers Compensation Self-Insurance Fund - the Town's only internal service fund - provides insurance for workers compensation claims for Town employees. The assets of this fund will fluctuate yearly depending upon the number and dollar amount of claims made against it. Total net position of the Self-Insurance Fund at the end of the fiscal year decreased an amount of 100.2% or \$999,393 to a total of \$(2,306).

**Fiduciary fund.** The Town of Kernersville's fiduciary fund provides the Statement of Net Position and the Statement of Changes in Net Position. The Town has one fiduciary fund: the Kernersville Sewer Settlement Residual Fund.

The Kernersville Sewer Settlement Residual Fund receives revenues from investment income. This fund was created during fiscal year 2020 and therefore there was no net position as of the 2019 reporting date. The Settlement Fiduciary Fund total net position increased by \$166 during the year to \$1,563.

### ***Capital asset and debt administration***

**Capital assets.** The Town of Kernersville's capital assets for its governmental activities as of June 30, 2021 totals \$154,506,545 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities and vehicles. The Town of Kernersville's capital assets in the business-type activities or the Stormwater Fund totaled \$1,213,671.

For the fiscal year ended June 30, 2021, major capital asset transactions for governmental activities include the following:

- Land, rights-of-ways and construction in progress decreased in the amount of \$5,712,920.
- Buildings and improvements increased in the amount of \$5,382,888.
- Land improvements decreased in the amount of \$43,755.
- Infrastructure saw a decrease in the amount of \$1,570,083.
- Equipment and heavy equipment decreased in the amount of \$376,184.
- Vehicles for various departments decreased in the amount of \$228,311.

**Town of Kernersville, North Carolina**  
**Management's Discussion and Analysis**

For the fiscal year ended June 30, 2021, major capital asset transactions for the business-type activities (Stormwater Fund) include the following:

- Buildings and improvements decreased in the amount of \$1,011.
- Land improvements decreased in the amount of \$9,172.
- Infrastructure saw a decrease in the amount of \$3,430.
- Equipment and heavy equipment increased in the amount of \$29,466.
- Vehicles decreased in the amount of \$51,214.

Additional information on the Town's capital assets can be found in Note 2.A.5 in the Notes to the Financial Statements.

**Town of Kernersville**  
**Capital Assets (Net of Depreciation)**  
**Figure 4**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Capital assets not being depreciated:						
Land	\$ 83,533,938	\$ 82,731,782	\$ -	\$ -	\$ 83,533,938	\$ 82,731,782
Construction in progress	<u>12,777</u>	<u>6,527,853</u>	<u>-</u>	<u>-</u>	<u>12,777</u>	<u>6,527,853</u>
Total capital assets not being depreciated	<u><b>83,546,715</b></u>	<u>89,259,635</u>	<u>-</u>	<u>-</u>	<u><b>83,546,715</b></u>	<u>89,259,635</u>
Capital assets being depreciated:						
Buildings and improvements	<b>16,455,161</b>	11,072,273	<b>45,240</b>	46,251	<b>16,500,401</b>	11,118,534
Land improvements	<b>2,133,388</b>	2,177,143	<b>90,954</b>	100,126	<b>2,224,342</b>	2,277,269
Infrastructure	<b>47,505,486</b>	49,075,569	<b>88,884</b>	92,314	<b>47,594,370</b>	49,167,883
Equipment and heavy equipment	<b>3,424,966</b>	3,801,150	<b>945,161</b>	915,695	<b>4,370,127</b>	4,716,845
Vehicles	<u><b>1,440,829</b></u>	<u>1,669,140</u>	<u><b>43,432</b></u>	<u>94,646</u>	<u><b>1,484,261</b></u>	<u>1,763,786</u>
Total capital assets being depreciated	<u><b>70,959,830</b></u>	<u>67,795,275</u>	<u><b>1,213,671</b></u>	<u>68,455,757</u>	<u><b>72,173,501</b></u>	<u>1,406,060</u>
Total capital assets	<u><b>\$ 154,506,545</b></u>	<u>\$ 157,054,910</u>	<u><b>\$ 1,213,671</b></u>	<u>\$ 1,249,032</u>	<u><b>\$ 155,720,216</b></u>	<u>\$ 158,303,942</u>

**Long-term debt.** As of June 30, 2021, the Town of Kernersville had total bonded debt outstanding of \$1,230,000 for street construction. This debt was issued in fiscal year 2003-04 and refunded in the prior year. The last payment on the refunding debt is scheduled to occur in May 2024. This is a general obligation debt and, thus, is backed by the full faith and credit of the Town.

**Town of Kernersville  
Outstanding Debt  
Figure 5**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Refunding bond	\$ 1,230,000	\$ 1,635,000	\$ -	\$ -	\$ 1,230,000	\$ 1,635,000
Revolving loan payable	1,600,000	2,000,000	-	-	1,600,000	2,000,000
Direct borrowing						
installment purchases	<u>17,975,821</u>	<u>20,391,264</u>	<u>216,755</u>	<u>378,005</u>	<u>18,192,576</u>	<u>20,769,269</u>
Total	<u>\$ 20,805,821</u>	<u>\$ 24,026,264</u>	<u>\$ 216,755</u>	<u>\$ 378,005</u>	<u>\$ 21,022,576</u>	<u>\$ 24,404,269</u>

The Town of Kernersville's total debt of both governmental and business-type activities had a net decrease of \$3,381,693 or 13.9% for the fiscal year ended June 30, 2021. The net decrease was primarily the result of less debt being issued than retired. Total debt currently stands at \$21,022,576.

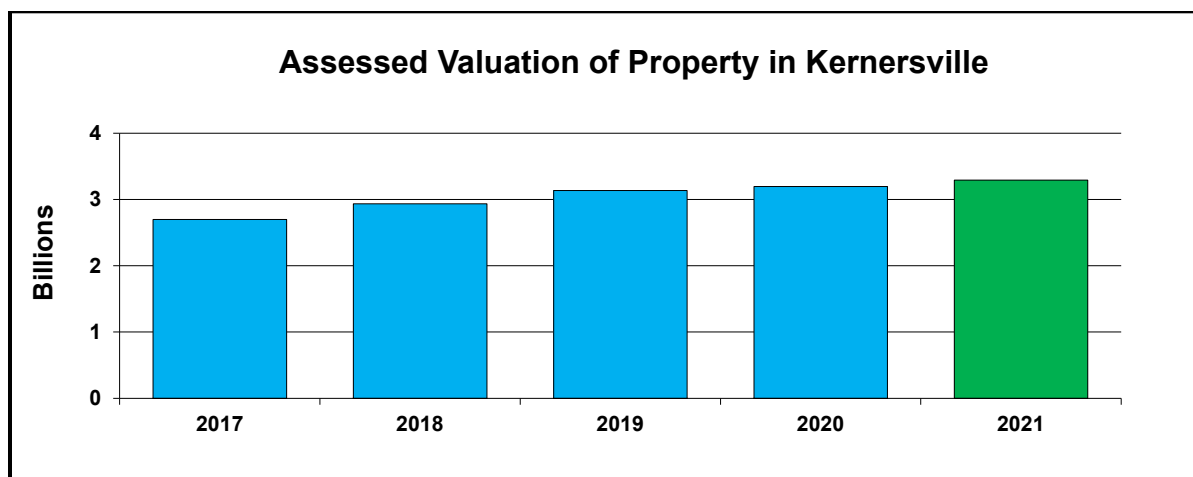
Refunding bonds issued in fiscal year 2015-16 represent the only general obligation debt of the Town. As mentioned in the financial highlights section of this document, the Standard and Poor's Corporation rated the street construction debt AA+. The Moody's Investor Service rated the debt at Aa2. These ratings are a clear indication of the Town's financial condition and its consistency for managing its finances well.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries or \$3,293,679,649. The total debt outstanding at the close of this fiscal year was \$21,022,576 for governmental and business-type activities, resulting in a legal debt margin for the Town of Kernersville of \$242,471,796. Hence, the total debt for the Town of Kernersville is 8.0% of the total legal debt limit. The Town has no authorized but unissued debt at June 30, 2021.

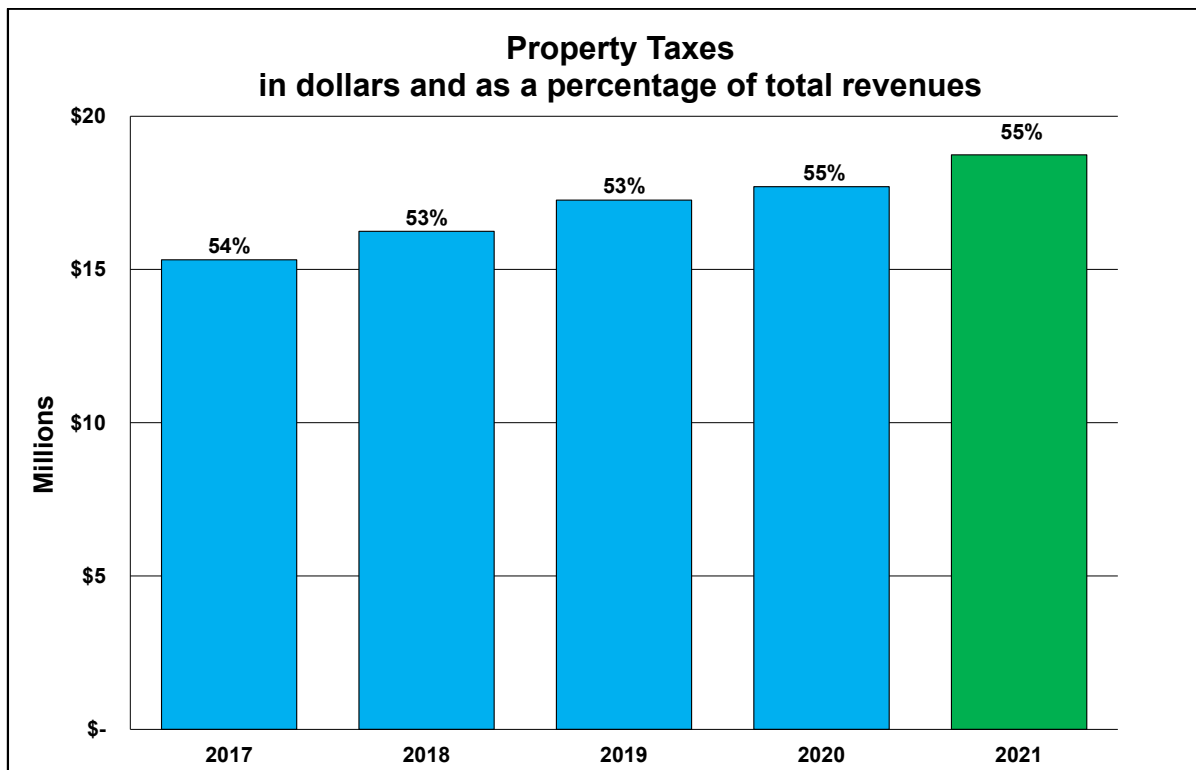
Additional information regarding the Town's long-term debt can be found on Section 2.B.7 of the notes.

#### ***Economic factors and next year's budgets and rates***

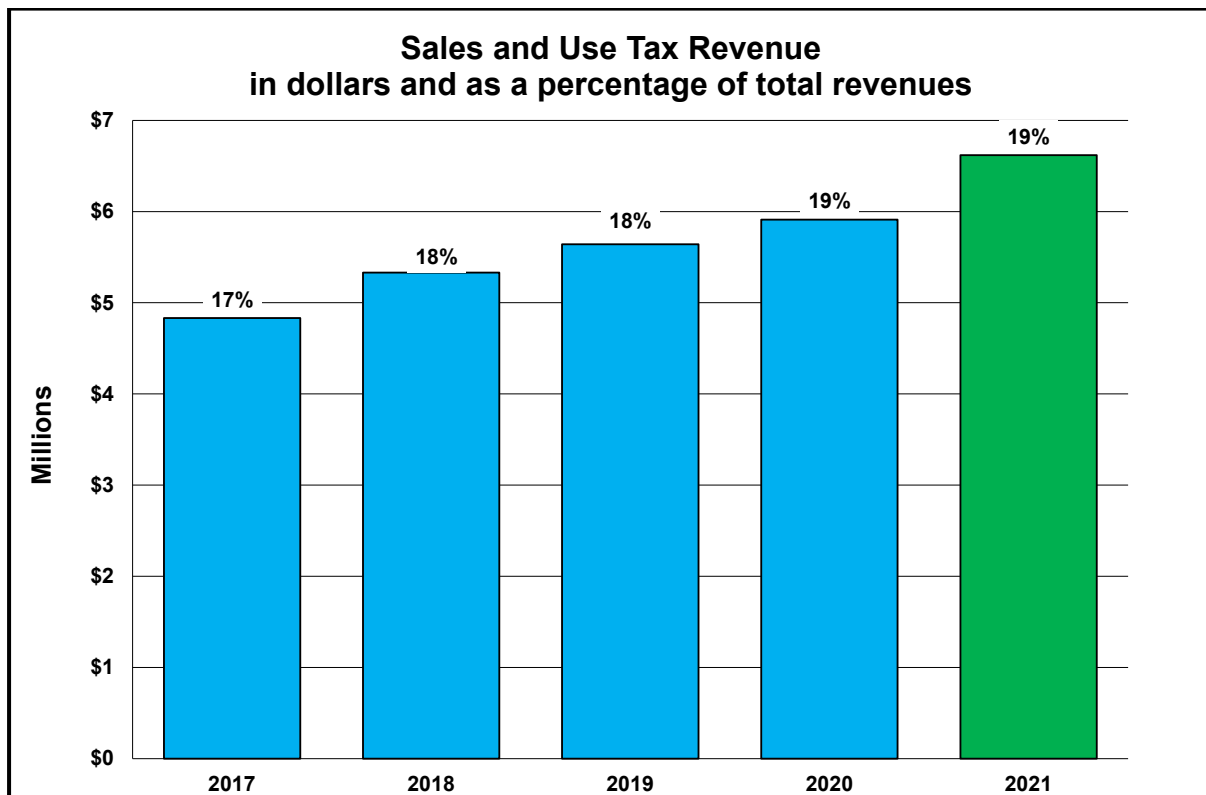
The following key economic information reflects the growth and prosperity in Kernersville.



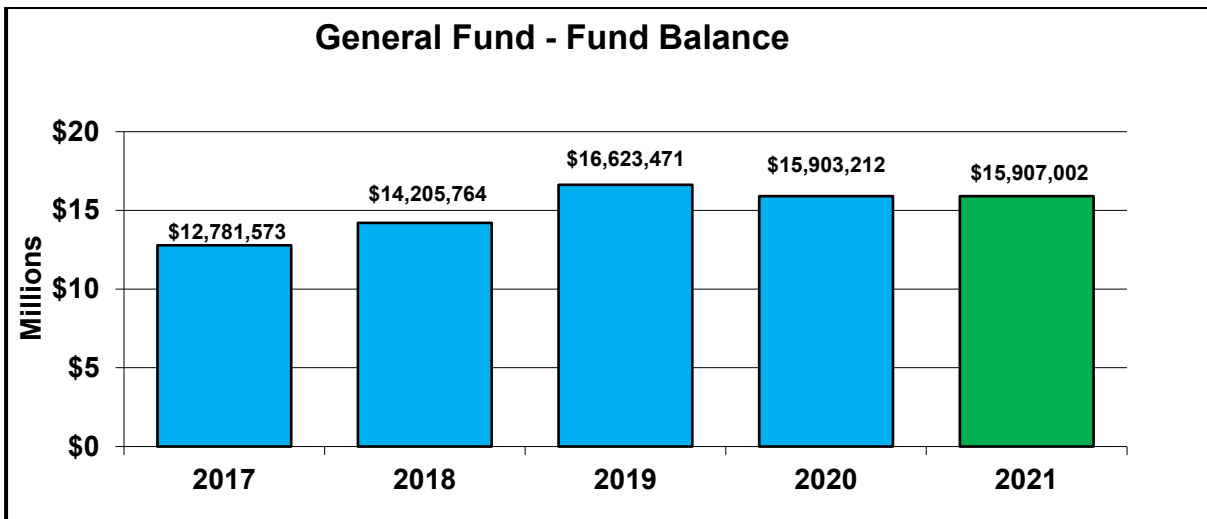




The preceding graphs show that the Town's largest source of revenue, property taxes, increased steadily from 2017 to 2021.



Growth in the Town's second largest revenue source (sales and use tax) has increased steadily from 2017 to 2021. A 4.8% or \$271,094 collection increase was observed in 2020 followed by a 12.0% increase or \$708,479 in 2021.



As indicated earlier, fund balance can be a good indicator of the General Fund's liquidity. The Town's General Fund - fund balance has increased gradually over the years, as can be seen from the graph above. The increase of 3.0% or \$376,943 in 2016-17 was due primarily to an increase in taxes collected and an increase in contributions and donations. The increase of 11.1% or \$1,424,191 in 2017-18 was primarily due to equipment ordered at year-end but not received, projects in progress at fiscal year-end (paving and Founders park), and revenues exceeding expenditures. The increase of 17.0% or \$2,417,707 in 2018-19 was due to revenues exceeding expenditures (increases in taxes collected and several large capital project expenditures). The decrease of (4.3)% or \$(720,259) in 2019-20 was due to expenditures exceeding revenue.

The General Fund - fund balance increased 0.02% or \$3,790 in 2020-21 due to revenues exceeding expenditures. Regarding the revenues, there were notable increases in Ad Valorem property tax, alcoholic beverage tax, and local option sales and use tax (Schedule 1). Regarding the expenditures, there were several large capital equipment purchases that were budgeted but not received and construction projects that were not completed at fiscal year-end.

While labor statistics are not available for the Town of Kernersville, they are available for both Forsyth County and Guilford County, where Kernersville is located. As of June 30, 2021, the unemployment rate for Forsyth County was 5.0% and Guilford County was 5.7%, compared to the State seasonally adjusted rate of 4.6% during the same period. The data was obtained from the Employment Security Commission of North Carolina.

#### ***Budget highlights for the upcoming fiscal year ending June 30, 2022***

**Governmental funds:** The General Fund budget for fiscal year 2021-22 was approved at \$39,391,717. The collection of property taxes - the Town's largest source of revenue - is expected to conservatively increase compared to the amount collected in fiscal year 2020-2021 based upon prior collection history. The General Fund tax rate for the fiscal year ending June 30, 2022 is 55.90 cents per hundred-dollar valuation of taxable property.

The unrestricted intergovernmental revenue categories budgeted in 2021-22 are expected to modestly increase compared to the amounts collected in fiscal year 2020-2021, based upon prior collection history.

The restricted intergovernmental revenue categories budgeted in 2021-22 allocates \$3,347,740 in budgeted loans will finance several capital outlay items including equipment and improvements to Town properties.

**Town of Kernersville, North Carolina**  
**Management's Discussion and Analysis**

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Other non-major governmental fund services and expenditures in 2021-22 are comparable to those in the prior year.

**Enterprise fund:** The budget for the Stormwater Enterprise Fund was approved at \$1,598,242 for 2021-22 with \$305,117 budgeted for drainage design and improvements at Broken Saddle Lane. Also, maintenance of storm drainage structures was budgeted for \$30,000 and a dump truck was budgeted for \$84,000.

***Requests for information***

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Kernersville, 134 East Mountain Street, Post Office Drawer 728, Kernersville, North Carolina 27285.

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

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## ***Basic Financial Statements***

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Town of Kernersville, North Carolina  
Statement of Net Position  
June 30, 2021

Exhibit 1  
(2 pages)

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 16,946,107	\$ 968,240	\$ 17,914,347
Prepaid assets	15,397	-	15,397
Receivables:			
Taxes receivable, net	228,364	-	228,364
Accrued interest receivable on taxes	40,432	-	40,432
Accounts receivable, net	2,527,202	395	2,527,597
Due from other governments	2,717,781	-	2,717,781
Restricted cash and cash equivalents	405,604	-	405,604
Total current assets	22,880,887	968,635	23,849,522
Noncurrent assets:			
Capital assets:			
Capital assets not depreciated	83,546,715	-	83,546,715
Other capital assets, net of depreciation	70,959,830	1,213,671	72,173,501
Total noncurrent assets	154,506,545	1,213,671	155,720,216
Total assets	177,387,432	2,182,306	179,569,738
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	4,507,451	137,967	4,645,418
OPEB deferrals	1,537,531	5,486	1,543,017
Total deferred outflows of resources	6,044,982	143,453	6,188,435
Total assets and deferred outflows of resources	\$ 183,432,414	\$ 2,325,759	\$ 185,758,173

Town of Kernersville, North Carolina  
Statement of Net Position  
June 30, 2021

Exhibit 1  
(2 pages)

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,091,222	\$ 69,926	\$ 1,161,148
Performance bonds	374,430	-	374,430
Claims and judgments	854,549	-	854,549
Accrued interest payable	72,930	1,008	73,938
Advanced rent payments	47,424	-	47,424
Taxes collected in advance	37,037	-	37,037
Current portion of total pension liability - LEO	413,527	-	413,527
Current portion of long-term liabilities	5,227,106	117,500	5,344,606
Total current liabilities	8,118,225	188,434	8,306,659
Long-term liabilities:			
Due in more than one year	17,164,829	115,733	17,280,562
Net pension liability - LGERS	6,988,413	259,567	7,247,980
Total pension liability - LEO, net of current	3,536,776	-	3,536,776
Total OPEB liability	12,513,673	142,742	12,656,415
Total long-term liabilities	40,203,691	518,042	40,721,733
Total liabilities	48,321,916	706,476	49,028,392
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	585,006	8,638	593,644
OPEB deferrals	1,952,096	51,598	2,003,694
Total deferred inflows of resources	2,537,102	60,236	2,597,338
<b>NET POSITION</b>			
Net investment in capital assets	135,303,304	1,112,649	136,415,953
Restricted for:			
Stabilization by state statute	5,244,983	-	5,244,983
Tourism	23,986	-	23,986
Public safety	465,110	-	465,110
Unrestricted	(8,463,987)	446,398	(8,017,589)
Total net position	132,573,396	1,559,047	134,132,443
Total liabilities, deferred inflows of resources, and net position	\$ 183,432,414	\$ 2,325,759	\$ 185,758,173



Town of Kernersville, North Carolina  
Statement of Activities  
Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,445,203	\$ 554,013	\$ 8,416	\$ -	\$ (5,882,774)	\$ -	\$ (5,882,774)
Public safety	18,387,376	179,565	1,470,077	-	(16,737,734)	-	(16,737,734)
Public service	8,986,468	2,213,929	1,082,245	2,078,222	(3,612,072)	-	(3,612,072)
Cultural and recreation	2,476,422	178,498	-	-	(2,297,924)	-	(2,297,924)
Interest on long-term obligations	484,285	-	-	-	(484,285)	-	(484,285)
Total governmental activities	36,779,754	3,126,005	2,560,738	2,078,222	(29,014,789)	-	(29,014,789)
Business-type activities:							
Stormwater	1,519,176	1,174,893	-	-	-	(344,283)	(344,283)
Total business-type activities	1,519,176	1,174,893	-	-	-	(344,283)	(344,283)
Total government	<u>\$ 38,298,930</u>	<u>\$ 4,300,898</u>	<u>\$ 2,560,738</u>	<u>\$ 2,078,222</u>	<u>(29,014,789)</u>	<u>(344,283)</u>	<u>(29,359,072)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					18,762,693	-	18,762,693
Other taxes					250,804	-	250,804
Unrestricted intergovernmental revenues					9,420,485	-	9,420,485
Unrestricted investment earnings					38,584	191	38,775
Gain on sale of capital assets					108,625	-	108,625
Miscellaneous					2,114,874	-	2,114,874
Total general revenues not including transfers					30,696,065	191	30,696,256
Net transfers					(232,305)	232,305	-
Total general revenues and transfers					30,463,760	232,496	30,696,256
Change in net position					1,448,971	(111,787)	1,337,184
Net position, beginning					131,124,425	1,670,834	132,795,259
Net position, ending					<u>\$ 132,573,396</u>	<u>\$ 1,559,047</u>	<u>\$ 134,132,443</u>

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

Town of Kernersville, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2021

Exhibit 3  
(2 pages)

	Major Funds			
	General Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,733,257	\$ 2,362,784	\$ 1,997,823	\$ 16,093,864
Restricted cash	403,139	-	2,465	405,604
Prepaid assets	15,397	-	-	15,397
Taxes receivable, net	228,364	-	-	228,364
Accounts receivable, net	2,517,738	-	9,464	2,527,202
Due from other governments	2,698,583	-	19,198	2,717,781
Total assets	<u>\$ 17,596,478</u>	<u>\$ 2,362,784</u>	<u>\$ 2,028,950</u>	<u>\$ 21,988,212</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 1,002,221	\$ 6,353	\$ 82,648	\$ 1,091,222
Performance bonds	374,430	-	-	374,430
Advanced rent payments	47,424	-	-	47,424
Taxes collected in advance	37,037	-	-	37,037
Total liabilities	<u>1,461,112</u>	<u>6,353</u>	<u>82,648</u>	<u>1,550,113</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax receivable	<u>228,364</u>	<u>-</u>	<u>-</u>	<u>228,364</u>
Total deferred inflows of resources	<u>228,364</u>	<u>-</u>	<u>-</u>	<u>228,364</u>
<b>FUND BALANCES</b>				
Non-spendable:				
Prepaid assets	15,397	-	-	15,397
Restricted:				
Stabilization by state statute	5,216,321	-	28,662	5,244,983
Capital equipment	28,709	-	-	28,709
Tourism	-	-	23,986	23,986
Public safety	-	-	465,110	465,110
Committed:				
Capital projects	1,123,018	2,356,431	1,428,544	4,907,993
Assigned:				
Subsequent year's expenditures	560,000	-	-	560,000
Unassigned	<u>8,963,557</u>	<u>-</u>	<u>-</u>	<u>8,963,557</u>
Total fund balances	<u>15,907,002</u>	<u>2,356,431</u>	<u>1,946,302</u>	<u>20,209,735</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,596,478</u>	<u>\$ 2,362,784</u>	<u>\$ 2,028,950</u>	<u>\$ 21,988,212</u>

Town of Kernersville, North Carolina  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2021

Exhibit 3  
(2 pages)

**Amounts reported for governmental activities in the Statement of Net Position  
(Exhibit 1) are different because:**

Total fund balance, governmental funds	\$ 20,209,735
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	154,506,545
Deferred outflows of resources related to pensions are not reported in the funds	4,507,451
Deferred outflows of resources related to OPEB are not reported in the funds	1,537,531
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	40,432
The Self-Insurance Internal Service Fund is used by management to charge the costs of workers' compensation claims to the General Fund. The assets and liabilities of the Self-Insurance Internal Service Fund are included in governmental activities in the Statement of Net Position.	(2,306)
Earned revenues considered deferred inflows of resources in fund statements	228,364
Net pension liability - LGERS	(6,988,413)
Total pension liability - LEO	(3,950,303)
Total OPEB liability	(12,513,673)
Deferred inflows of resources related to pensions are not reported in the funds	(585,006)
Deferred inflows of resources related to OPEB are not reported in the funds	(1,952,096)
Some liabilities, including long-term debt and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(22,464,865)</u>
Net position of governmental activities	<u><u>\$ 132,573,396</u></u>

Town of Kernersville, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2021

Exhibit 4  
(3 pages)

	Major Funds			
	General Fund	Kerner Mill Greenway Capital Projects Ordinance Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 18,740,650	\$ -	\$ -	\$ 18,740,650
Other taxes and licenses	126,377	-	124,427	250,804
Unrestricted intergovernmental	9,420,485	-	-	9,420,485
Restricted intergovernmental	3,111,767	-	164,671	3,276,438
Penalties and interest	38,188	52	38	38,278
Contributions and donations	1,354,106	-	8,416	1,362,522
Other general revenues	1,734,359	-	-	1,734,359
Functionally related revenues	3,126,005	-	-	3,126,005
Total revenues	37,651,937	52	297,552	37,949,541
Expenditures:				
Current:				
General government	6,089,224	-	-	6,089,224
Public safety	15,421,748	-	130,765	15,552,513
Public service	5,914,719	-	-	5,914,719
Cultural and recreational	2,520,167	15,576	170,018	2,705,761
Debt service:				
Principal	3,739,158	-	-	3,739,158
Interest and other charges	486,097	-	-	486,097
Total expenditures	34,171,113	15,576	300,783	34,487,472
Revenues over (under) expenditures	3,480,824	(15,524)	(3,231)	3,462,069
Other financing sources (uses):				
Transfers from other funds	79,244	2,366,447	1,534,091	3,979,782
Transfers to other funds	(4,146,761)	-	(65,326)	(4,212,087)
Installment purchase obligations issued	481,858	-	-	481,858
Sale of capital assets	108,625	-	-	108,625
Total other financing sources (uses)	(3,477,034)	2,366,447	1,468,765	358,178
Net change in fund balances	3,790	2,350,923	1,465,534	3,820,247
Fund balances, beginning	15,903,212	5,508	480,768	16,389,488
Fund balances, ending	\$ 15,907,002	\$ 2,356,431	\$ 1,946,302	\$ 20,209,735

Town of Kernersville, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2021

Exhibit 4  
(3 pages)

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities**

Total net change in fund balances - total governmental funds	\$	3,820,247
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$	1,306,540
Depreciation expense for governmental assets		(4,300,876)
		(2,994,336)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.		
Proceeds on disposal of fixed assets under modified accrual basis		108,625
Gain on sale of fixed assets recognized under full accrual basis		(108,625)
		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		1,328,508
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities		98,315
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		586,369
Change in unavailable revenue, property tax receivable		44,189
Change in accrued interest receivable on property taxes		(22,243)
		608,315

**Town of Kernersville, North Carolina**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2021**

**Exhibit 4**  
**(3 pages)**

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

New installment purchase obligations issued	\$	(518,715)	
Principal payments on long-term debt		3,739,158	
Change in accrued interest payable		<u>15,737</u>	\$ 3,236,180

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.

Change in compensated absences		26,189	
OPEB plan expense		(859,212)	
Pension expense		<u>(2,815,842)</u>	(3,648,865)

Change in net position of internal service funds determined to be governmental-type.

(999,393)

Total changes in net position of governmental activities

\$ 1,448,971

Town of Kernersville, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Exhibit 5  
(2 pages)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 18,081,762	\$ 18,081,762	\$ 18,740,650	\$ 658,888
Other taxes and licenses	124,300	124,300	126,377	2,077
Unrestricted intergovernmental	8,368,195	8,339,871	9,420,485	1,080,614
Restricted intergovernmental	1,253,495	3,997,426	3,111,767	(885,659)
Penalties and interest	183,500	32,536	37,938	5,402
Contributions and donations	1,529,902	1,258,422	1,354,106	95,684
Other general revenues	50,100	1,670,340	1,734,359	64,019
Functionally related revenues	2,844,962	3,300,677	3,126,005	(174,672)
Total revenues	32,436,216	36,805,334	37,651,687	846,353
Expenditures:				
Current:				
General government	5,329,131	7,269,729	6,927,389	342,340
Public safety	17,221,851	18,018,319	17,133,948	884,371
Public service	7,279,208	8,001,889	6,308,797	1,693,092
Cultural and recreational	2,529,131	3,216,931	2,912,934	303,997
Debt service	888,553	888,553	888,045	508
Total expenditures	33,247,874	37,395,421	34,171,113	3,224,308
Revenues over (under) expenditures	(811,658)	(590,087)	3,480,574	4,070,661
Other financing sources (uses):				
Transfers from other funds	85,500	79,246	79,244	(2)
Transfers to other funds	(342,557)	(4,386,355)	(4,329,355)	57,000
Installment purchase obligations issued	518,715	518,715	481,858	(36,857)
Sale of capital assets	50,000	115,660	108,625	(7,035)
Total other financing sources (uses)	311,658	(3,672,734)	(3,659,628)	13,106

Town of Kernersville, North Carolina  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Exhibit 5  
(2 pages)

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Positive (Negative)
Revenues and other financing sources under expenditures and other financing sources	\$ (500,000)	\$ (4,262,821)	\$ (179,054)	\$ 4,083,767
Fund balance appropriated	500,000	4,262,821	-	(4,262,821)
Revenues, other financing sources and appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	(179,054)	<u>\$ (179,054)</u>
Fund balance, beginning			14,963,038	
Fund balance, ending			14,783,984	
A legally budgeted capital reserve fund is consolidated into the General Fund for reporting purposes:				
Fund balance, beginning			940,174	
Investment earnings			250	
Net transfers to other funds			182,594	
Fund balance, ending (Exhibit 4)			<u>\$ 15,907,002</u>	



Town of Kernersville, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2021

Exhibit 6

	Major Enterprise Fund	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 968,240	\$ 852,243
Accounts receivable, net	395	-
Total current assets	968,635	852,243
Noncurrent assets:		
Capital assets, net of depreciation	1,213,671	-
Total noncurrent assets	1,213,671	-
Total assets	2,182,306	852,243
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	137,967	-
OPEB deferrals	5,486	-
Total deferred outflows	143,453	-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	69,926	-
Claims and judgments	-	854,549
Accrued interest payable	1,008	-
Current portion of long-term liabilities	117,500	-
Total current liabilities	188,434	854,549
Noncurrent liabilities:		
Net pension liability - LGERS	259,567	-
Total OPEB liability	142,742	-
Noncurrent portion of long-term debt	115,733	-
Total noncurrent liabilities	518,042	-
Total liabilities	706,476	854,549
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	8,638	-
OPEB deferrals	51,598	-
Total deferred inflows	60,236	-
<b>NET POSITION</b>		
Net investment in capital assets	1,112,649	-
Unrestricted	446,398	(2,306)
Total net position	\$ 1,559,047	\$ (2,306)

Town of Kernersville, North Carolina  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds  
Year Ended June 30, 2021

Exhibit 7

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b>Operating revenues</b>		
Charges for services	\$ 1,174,893	\$ 299,755
Total operating revenues	<u>1,174,893</u>	<u>299,755</u>
<b>Operating expenses</b>		
Personnel services	681,888	-
Depreciation	193,378	-
Other current charges	647,893	-
Claims incurred	-	1,219,699
Stop-loss coverage	-	69,805
Administration	-	9,950
Total operating expenses	<u>1,523,159</u>	<u>1,299,454</u>
Operating loss	(348,266)	(999,699)
<b>Nonoperating revenues (expenses)</b>		
Investment earnings	191	306
Interest and other charges	3,983	-
Grant Proceeds	-	-
Total nonoperating revenues	<u>4,174</u>	<u>306</u>
Loss before transfers	(344,092)	(999,393)
<b>Transfers</b>		
Transfers from other funds	<u>232,305</u>	-
Change in net position	(111,787)	(999,393)
Total net position, beginning	<u>1,670,834</u>	<u>997,087</u>
Total net position, ending	<u><u>\$ 1,559,047</u></u>	<u><u>\$ (2,306)</u></u>

Town of Kernersville, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2021

Exhibit 8  
(2 pages)

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,174,498	\$ -
Cash paid for goods and services	(754,595)	(69,805)
Cash paid to or on behalf of employees for services	(675,533)	-
Receipts from other funds	-	299,755
Payment of claims	-	(651,600)
Payment of fee to administrator	-	(9,950)
	<u>(255,630)</u>	<u>(431,600)</u>
Net used provided by operating activities		
<b>Cash flows from noncapital financing activities</b>		
Transfers in from other funds	232,305	-
Cash received from intergovernmental grants	-	-
	<u>232,305</u>	<u>-</u>
Net cash provided by noncapital financing activities		
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(186,621)	-
Proceeds from installment debt	(395)	-
Principal paid on installment debt	(161,250)	-
Interest paid on installment debt	(776)	-
	<u>(349,042)</u>	<u>-</u>
Net cash used by capital and related financing activities		
<b>Cash flows from investing activities</b>		
Investment earnings	191	306
	<u>191</u>	<u>306</u>
Net cash provided by investing activities		
	<u>191</u>	<u>306</u>
Net decrease in cash and cash equivalents	(372,176)	(431,294)
Cash and cash equivalents, beginning	1,340,416	1,283,537
Cash and cash equivalents, ending	<u>\$ 968,240</u>	<u>\$ 852,243</u>

Town of Kernersville, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2021

Exhibit 8  
(2 pages)

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
<b>Reconciliation of operating income to net cash (used) provided by operating activities</b>		
Operating loss	\$ (348,266)	\$ (999,699)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	193,378	-
Change in assets, deferred outflows of resources, and liabilities:		
Increase in deferred outflows of resources - pensions	(19,055)	-
Decrease in net pension liability	52,104	
Decrease in deferred inflows of resources - pensions	(633)	
Decrease in deferred outflows of resources - OPEB	3,155	
Increase in OPEB liability	(82,201)	-
Increase in deferred inflows of resources - OPEB	51,598	
Accounts receivable, net	(395)	-
Accounts payable and accrued liabilities	(106,702)	-
Claims and judgments	-	568,099
Accrued vacation pay	1,387	-
	<u>\$ (255,630)</u>	<u>\$ (431,600)</u>
Net cash used provided by operating activities		

Town of Kernersville, North Carolina  
Statement of Fiduciary Net Position  
Kernersville Sewer Settlement Residual Fund  
June 30, 2021

Exhibit 9

	<u>Trust Fund Kernersville Sewer Settlement Residual Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 644,107
Total assets	<u>644,107</u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>642,544</u>
Total liabilities	<u>642,544</u>
<b>NET POSITION</b>	
Restricted for settlement payments	<u>1,563</u>
Total net position	<u><u>\$ 1,563</u></u>

Town of Kernersville, North Carolina  
Statement of Changes in Fiduciary Net Position  
Kernersville Sewer Settlement Residual Fund  
Year Ended June 30, 2021

Exhibit 10

	<u>Trust Fund Kernersville Sewer Settlement Residual Fund</u>
<b>Additions</b>	
Investment income	\$ 166
Total additions	<u>166</u>
Net change in fund balance	166
Net position - beginning of year	<u>1,397</u>
Net position - end of year	<u><u>\$ 1,563</u></u>

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting entity

The Town of Kernersville (the "Town") is a municipal corporation which is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present all funds, agencies, boards, commissions and authorities which are controlled by or are financially dependent upon the Town.

#### B. Basis of presentation

**Government-wide statements:** The statement of net position and the statement of activities display information about the non-fiduciary activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

**Fund financial statements:** The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

*General Fund.* The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and

various other taxes and licenses. The primary expenditures are for public safety, streets and maintenance, sanitation and general government services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplementary information. The Capital Reserve Fund is used to account for resources to be used for future major capital purchases or projects.

*The Kerner Mill Greenway Capital Projects Ordinance Fund.* The Kerner Mill Greenway Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Kerner Mill Greenway.

The Town reports the following major enterprise fund:

*Stormwater Fund.* The purpose of the Stormwater Enterprise Fund is to finance the operations of the Stormwater Division, which was created in response to state and federal mandates, as well as a desire of the citizenry to ensure that the Town remains a quality community, especially in regard to environmental stewardship.

The Town reports the following non-major governmental funds:

*Special Revenue Funds.* The Town reports four special revenue funds. The Occupancy Tax Fund accounts for the revenue generated by the tax charged on hotel and motel rooms to be used to promote travel and tourism, and tourism-related expenditures; the Emergency Telephone System Fund accounts for 911 system subscriber fees and levies; the Contributions Fund accounts for donations used to support drug education programs; and the Law Enforcement Forfeitures Fund accounts for restricted proceeds resulting from the sale of properties seized in criminal investigations.

*Capital Project Funds.* The Town reports two non-major Capital Project funds. The Recreation Department Facility Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvement related to the Recreation Department Facility. The Fire Department Facility Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Fire Department Facility.

The Town reports the following non-major proprietary funds:

*Internal Service Fund.* The Internal Service fund accounts for operations that provide services to other departments or agencies of the Town, or to other governments, on a cost-reimbursement basis. The Town has one Internal Service Fund. The Self-Insurance Fund accounts for workers' compensation insurance provided for the Town's employees.

Additionally, the Town reports the following fund type:

*Trust Fund.* The Kernersville Sewer Settlement Residual Fund accounts for money to be paid out to individuals related to the CCUC Class Action Lawsuit.



**C. *Measurement focus and basis of accounting***

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

**Government-wide, proprietary, and fiduciary fund financial statements:** The government-wide, proprietary, and fiduciary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Governmental fund financial statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under installment purchase agreements are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the state of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied at the county level 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.

Grant revenues which are unearned at year end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**D. Budgetary data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Special Revenue Funds, and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Project Funds.

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for multi-year funds. The Town Manager is authorized to make budget amendments to all departments and line items within the same fund, and is required to have such amendments entered into the minutes of the next regular meeting of the Board of Aldermen. During the year, amendments to the original budget were necessary, the effects of which were not material.

**E. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance**

(1) Deposits and investments

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

State law [G.S. 159-30©] 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. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

(2) Cash and cash equivalents

The Town pools money from several funds, except for the Kernersville Sewer Settlement Residual Fund, 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.

(3) Restricted assets

Performance bonds in the amount of \$374,430 are classified as restricted cash on the balance sheet Governmental Funds. The Town requires developers/contractors to pay a performance bond to guarantee successful performance on certain construction projects. Once the Town has ensured that the work has been satisfactorily completed, the performance bonds are released. In addition, there is \$31,174 on the Governmental Funds balance sheet of unexpended debt proceeds that are restricted to the purpose for which the debt was issued.

(4) Ad valorem taxes receivable

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

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

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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 are reported 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 written off in prior years.

(6) Prepaid assets

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

(7) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of three years. Minimum capitalization costs are as follows: buildings and improvements - \$20,000; infrastructure - \$100,000; and furniture, equipment and vehicles - \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of road network 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u><b>Asset Class</b></u>	<u><b>Estimated Useful Lives</b></u>
Buildings and improvements	50 years
Land improvements	25 years
Infrastructure	40 years
Furniture, equipment, and heavy equipment	5 to 10 years
Vehicles	6 years

(8) Deferred outflows/inflows of resources

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

(9) Long-term obligations

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

(10) Compensated absences

The vacation policy of the Town provides for a maximum accumulation of 240 hours of earned vacation leave based on an employee's years of service, five years or greater. Such leave is fully vested when earned. Employees that have 0 to 4 years of experience cannot accrue any vacation. At the end of each calendar year, any vacation balance in excess of the amount that an employee could accrue in a 24-month period is converted to sick leave. Any accrued vacation not converted to sick leave in excess of the maximum accumulation shall be cancelled.

For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

(11) Net position/fund balances

**Net position**

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

**Fund balances**

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

The governmental fund types classify fund balances as follows:

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

*Prepaid Assets* - portion of fund balance that is not an available resource because it represents the year-end balance of costs applicable to future accounting periods, which are not spendable resources.

*Restricted fund balance* - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. 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. 1559-8(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 Capital Equipment* - portion of fund balance that is restricted due to unexpended installment purchases for the purchase of capital assets.

*Restricted for Tourism* - portion of fund balance restricted by occupancy tax revenues for tourism-related expenditures.

*Restricted for Public Safety* - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures and for law enforcement expenditures.

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

*Committed for Capital Projects* - portion of fund balance that is set aside by the Board for capital projects.

*Assigned fund balance* - portion of fund balance that the Town of Kernersville intends to use for specific purposes.

*Subsequent year's expenditures* - portion of total fund balance available for appropriation that has been designated in the next year's budget ordinance, as approved by the Town's governing body.

*Unassigned fund balance* - portion of fund balance that has not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Town of Kernersville has a revenue-spending practice that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond and installment financing 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 finally unassigned fund balance. The Finance Officer has the authority to deviate from this practice, if it is in the best interest of the Town.

The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

## (12) Pensions

For purposes of measuring the total pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net

position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**F. Change in Accounting Principle**

Change in Accounting Principle The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, no additional fiduciary funds were identified as requiring disclosure.

**2. Detail Notes on All Funds**

**A. Assets**

**(1) Deposits**

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$2,548,218 and a bank balance of \$2,679,905. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2021, the Town's petty cash fund totaled \$5,800.

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

(2) Investments

At June 30, 2021, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 1,858,022	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>14,552,018</u>	0.11 years	Unrated
Total		<u>\$ 16,410,040</u>		

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

***Level of fair value hierarchy:***

**Level 1** - Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town does not have a formal investment policy.

**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. The Town's investment in the NC Capital Management Trust Governmental Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021. The Town's investment in the NC Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high-grade money market instruments permitted under G.S. 159-30 as amended.

(3) Due from other governments

Amounts due from other governments consist of the following:

	<u>Governmental Activities</u>
General fund:	
Sales and use tax distribution	\$ 1,799,073
Sales tax refunds	279,789
Utilities franchise, video programming, solid waste, and telecommunications tax	430,596
Rental vehicle tax	5,729
Alcohol beverage tax	182,706
Miscellaneous grant reimbursements	<u>690</u>
Total general fund	2,698,583
Occupancy tax fund:	
Occupancy tax reimbursement	<u>19,198</u>
	<u>\$ 2,717,781</u>

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

(4) Receivables – allowance for doubtful accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

General fund:	
Taxes receivable	\$ <u>73,000</u>

(5) Capital assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 82,731,782	\$ 802,156	\$ -	\$ 83,533,938
Construction in progress	<u>6,527,853</u>	<u>-</u>	<u>(6,515,076)</u>	<u>12,777</u>
Total capital assets not being depreciated	<u>89,259,635</u>	<u>802,156</u>	<u>(6,515,076)</u>	<u>83,546,715</u>
Capital assets being depreciated:				
Buildings and improvements	18,023,838	5,779,199	-	23,803,037
Land improvements	4,612,392	179,259	-	4,791,651
Infrastructure	103,003,546	504,953	-	103,508,499
Equipment and heavy equipment	15,797,606	849,667	(1,548,662)	15,098,611
Vehicles	<u>5,236,518</u>	<u>321,351</u>	<u>(266,590)</u>	<u>5,291,279</u>
Total capital assets being depreciated	<u>146,673,900</u>	<u>7,634,429</u>	<u>(1,815,252)</u>	<u>152,493,077</u>
Less accumulated depreciation for:				
Buildings and improvements	6,951,565	396,311	-	7,347,876
Land improvements	2,435,249	223,014	-	2,658,263
Infrastructure	53,927,977	2,075,036	-	56,003,013
Equipment and heavy equipment	11,996,456	1,115,307	(1,438,118)	11,673,645
Vehicles	<u>3,567,378</u>	<u>491,209</u>	<u>(208,137)</u>	<u>3,850,450</u>
Total accumulated depreciation	<u>78,878,625</u>	<u>\$ 4,300,877</u>	<u>\$ (1,646,255)</u>	<u>81,533,247</u>
Total capital assets being depreciated, net	<u>67,795,275</u>			<u>70,959,830</u>
Governmental activity capital assets, net	<u>\$ 157,054,910</u>			<u>\$ 154,506,545</u>

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

General government	\$ 239,158
Public safety	1,338,841
Public service	2,366,353
Cultural and recreational	<u>356,525</u>
Total depreciation expense	<u>\$ 4,300,877</u>



**Town of Kernersville, North Carolina**  
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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 50,548	\$ -	\$ -	\$ 50,548
Land improvements	137,450	-	-	137,450
Infrastructure	137,185	-	-	137,185
Equipment and heavy equipment	1,830,687	186,621	-	2,017,308
Vehicles	210,917	-	(28,605)	182,312
Total capital assets being depreciated	<u>2,366,787</u>	<u>186,621</u>	<u>(28,605)</u>	<u>2,524,803</u>
Less accumulated depreciation for:				
Buildings and improvements	4,297	1,011	-	5,308
Land improvements	37,324	9,172	-	46,496
Infrastructure	44,871	3,430	-	48,301
Equipment and heavy equipment	914,992	157,156	-	1,072,147
Vehicles	116,271	22,609	-	138,880
Total accumulated depreciation	<u>1,117,755</u>	<u>\$ 193,378</u>	<u>\$ -</u>	<u>1,311,132</u>
Stormwater fund capital assets, net	<u>\$ 1,249,032</u>			<u>\$ 1,213,671</u>

**B. Liabilities**

(1) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at June 30, 2021 were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Payable to vendors and others	\$ 664,396	\$ 53,938	\$ 718,334
Accrued payroll and related liabilities	<u>426,826</u>	<u>15,988</u>	<u>442,814</u>
Total accounts payable and accrued liabilities	<u>\$ 1,091,222</u>	<u>\$ 69,926</u>	<u>\$ 1,161,148</u>

(2) Pension plan and postemployment obligations

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

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

*Benefits provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service 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 of Kernersville 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 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$1,377,852 for the year ended June 30, 2021.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2021, the Town reported a liability of \$7,247,980 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.203%, which was a decrease of 0.003% from its proportion measured as of June 30, 2019.

**Town of Kernersville, North Carolina**  
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For the year ended June 30, 2021, the Town recognized pension expense of \$2,365,923. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 915,293	\$ -
Changes of assumptions	172,869	-
Net difference between projected and actual earnings on pension plan investments	1,019,959	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	425,279
Town contributions subsequent to the measurement date	<u>1,377,852</u>	<u>-</u>
Total	<u>\$ 3,485,973</u>	<u>\$ 425,279</u>

\$1,377,852 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2022	\$ 596,888
2023	850,546
2024	484,149
2025	301,856
2026	-
Thereafter	<u>-</u>
	<u>\$ 2,233,439</u>

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

Inflation	3.00 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 and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance

**Town of Kernersville, North Carolina**  
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of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Target Allocation</u></b>	<b><u>Real Rate of Return</u></b>
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	<u>100.0%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2019 asset, liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

**Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.** The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00 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:

	<b><u>1% Decrease (6.00%)</u></b>	<b><u>Discount Rate (7.00%)</u></b>	<b><u>1% Increase (8.00%)</u></b>
Town's proportionate share of the net pension liability (asset)	\$ 14,705,362	\$ 7,247,980	\$ 1,050,371

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the state of North Carolina.

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

*Plan description.* The Town of Kernersville administers a public employee retirement system (the Separation Allowance), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 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 are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	10
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>69</u>
Total	<u>79</u>

*Summary of significant accounting policies, basis of accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits 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.

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index determined at the end of each month for the year ending December 31, 2019.

Mortality rates are based on the RP-2014 Series Mortality tables with adjustments for mortality improvements based on Scale AA.

*Change in actuarial assumptions.* On the prior Measurement Date (December 31, 2019), the Municipal Bond Index Rate, on which the discount rate is based, was 3.26%. Since the Prior Measurement Date, the Municipal Bond Index Rate has decreased to 1.93% as of the Measurement Date (December 31, 2020). This resulted in an \$1,019,622 increase in the Total Pension Liability.

*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

**Town of Kernersville, North Carolina**  
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Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$158,262 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 \$3,950,303. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was rolled forward to December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$413,527.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,886	\$ 103,368
Changes of assumptions	958,244	64,997
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>98,315</u>	<u>-</u>
Total	<u>\$ 1,159,445</u>	<u>\$ 168,365</u>

The \$98,315 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending June 30**

2022	\$ 201,139
2023	201,040
2024	172,322
2025	161,578
2026	152,126
Thereafter	<u>4,560</u>
	<u>\$ 892,765</u>

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

	<u>1% Decrease (0.93%)</u>	<u>Discount Rate (1.93%)</u>	<u>1% Increase (2.93%)</u>
Total pension liability	\$ 4,291,688	\$ 3,950,303	\$ 3,637,807

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

	<u>2021</u>
Beginning balance	\$ 2,978,861
Service cost	117,857
Interest on the total pension liability	94,531
Difference between expected and actual experience	(102,306)
Changes of assumptions or other inputs	1,019,622
Benefit payments	<u>(158,262)</u>
Ending balance of the total pension liability	<u>\$ 3,950,303</u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

**(c) Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources Related to Pensions**

Following is information related to the proportionate share and pension expense for all pension plans:

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 2,365,923	\$ 413,527	\$ 2,779,450
Pension liability	7,247,980	3,950,303	11,198,283
Proportionate share of net pension liability	0.203%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	915,293	102,886	1,018,179
Changes of assumptions	172,869	958,244	1,131,113
Net difference between projected and actual earnings on plan investments	1,019,959	-	1,019,959
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	1,377,852	98,315	1,476,167
Deferred inflows of resources:			
Differences between expected and actual experience	-	103,368	103,368
Changes of assumptions	-	64,997	64,997
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	425,279	-	425,279

**(d) Supplemental Retirement Income Plan**

*Plan description.* The Town of Kernersville contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Additionally, the Town has elected to include all permanent, full-time employees under this plan. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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.

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*Funding policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to 5% of each sworn law enforcement officer's salary, and all amounts contributed are vested immediately. Participants may also make voluntary contributions to the Plan.

The Town made contributions of \$182,675 for the reporting year. No amounts were forfeited.

**(e) Other Postemployment Benefits**

*(i) Healthcare benefits*

*Plan description.* Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). This plan provides postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System. For the Town to contribute 100% of the employer's contribution toward health care premiums, the retiree must have completed at least 25 years of creditable service with the Town. To receive 75% of the employer's contribution, the retiree must have completed at least 20 years of creditable service with the Town. To receive 50% of the employer's contribution, the retiree must have completed at least 15 years of creditable service with the Town. Prior to June 30, 2005, employees qualified for full insurance benefits after ten years of creditable service with the Town. The Town pays the cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town's Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	40	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>248</u>	<u>69</u>
Total	<u><u>288</u></u>	<u><u>79</u></u>

*(ii) Total OPEB liability*

The Town's total OPEB liability of \$12,656,415 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75 percent
Discount rate	1.92 percent
Healthcare cost trend rates	Medical and prescription - 6.00% initially, trending down to 4.25% ultimately

The discount rate is based on the yield of a 20-year municipal bond Aa index as of the measurement date.



**Town of Kernersville, North Carolina**  
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*(iii) Changes in the Total OPEB Liability*

	<u><b>2021</b></u>
Beginning balance	\$ 13,652,244
Service cost	515,371
Interest on the total pension liability	341,189
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,185,848)
Changes of assumptions or other inputs	819,398
Benefit payments	<u>(485,939)</u>
Ending balance of the total OPEB liability	<u>\$ 12,656,415</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.45% to 1.92%.

Mortality rates were based on the RP-2000 Tables, projected to 2028 with Scale AA.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92 percent) or 1 percentage point higher (2.92 percent) than the current rate:

	<u><b>1% Decrease (0.92%)</b></u>	<u><b>Discount Rate (1.92%)</b></u>	<u><b>1% Increase (2.92%)</b></u>
Total OPEB liability	<u>\$ 14,060,675</u>	<u>\$ 12,656,415</u>	<u>\$ 11,419,023</u>

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u><b>1% Decrease (0.92%)</b></u>	<u><b>Discount Rate (1.92%)</b></u>	<u><b>1% Increase (2.92%)</b></u>
Total OPEB liability	<u>\$ 11,116,158</u>	<u>\$ 12,656,415</u>	<u>\$ 14,497,043</u>

*(iv) OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB*

For the year ended June 30, 2021, the Town recognized OPEB expense of \$891,114. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Differences between expected and actual experience	\$ -	\$ 2,003,694
Changes of assumptions	<u>1,543,017</u>	<u>-</u>
Total	<u>\$ 1,543,017</u>	<u>\$ 2,003,694</u>

**Town of Kernersville, North Carolina**  
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The amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year Ending June 30**

2022	\$	34,554
2023		34,554
2024		34,554
2025		34,554
2026		34,554
Thereafter		<u>(147,508)</u>
	\$	<u>25,262</u>

3. Other employment benefits

The Town has elected to provide death benefits to local law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those local law enforcement employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payrolls, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

4. Deferred outflows and inflows of resources

Deferred outflows of resources in the current fiscal year is comprised of pension plan deferrals in the amount of \$4,645,418, as well as OPEB deferrals in the amount of \$1,543,017.

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

Taxes receivable, net (General Fund)	\$	228,364
Pension deferrals		593,644
OPEB deferrals		2,003,694

5. 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, illnesses of employees and natural disasters. The Town has general liability, auto and property coverages under a fully insured plan through Travelers Insurance. The Town's auto liability coverage has limits up to \$1,000,000 per occurrence, and the general liability coverage has limits up to \$3,000,000 per occurrence, depending on the type of loss. Property coverage is limited up to the total insurance values of the property policy.

The Town is self-funded for workers' compensation insurance. All claims are administered by a third-party administrator. The third-party administrator pays all bills for compensable claims and files documents required by the North Carolina Industrial Commission by personnel licensed to adjust workers' compensation claims in the state.

**Town of Kernersville, North Carolina**  
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of North Carolina. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The estimate of the claims liability also includes other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from salvage or subrogation, for example, are another component of the claims liability estimate. The Town is insured by Midwest Employers Casualty Company for workers' compensation claims in excess of \$550,000 up to statutory limits.

Changes in the balances of workers' compensation claims liabilities during the past two years are as follows:

	<b>Year Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
Unpaid claims, beginning of fiscal year	\$ 286,450	\$ 90,323
Incurred claims (including IBNR)	1,219,699	566,963
Claim payments	(651,600)	(370,836)
Unpaid claims, end of fiscal year	<u>\$ 854,549</u>	<u>\$ 286,450</u>

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000 individually. The remainder of the Town employees are also bonded under a blanket policy for \$250,000.

The Town carries flood insurance through Travelers Insurance. The Town's flood coverage limit is \$1,000,000 with a \$50,000 deductible. The Town has one structure, a recycling center, within a FEMA-designated "A" zone (an area close to a river, lake, or stream). The Town elected not to purchase excess flood coverage for that structure due to the unlikelihood that the structure would be damaged if flooding occurred.

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

**6. Claims and judgments**

Various claims and legal actions are pending against the Town, and it is not possible at this time to predict their outcome. However, in the opinion of management and the Town attorney, ultimate resolutions will not have a material, adverse impact on the Town's financial position.

**7. Long-term obligations**

**(a) Direct borrowing installment purchase agreements - equipment and construction**

The Town has entered into installment purchase agreements for the purchase and/or improvement of personal property including vehicles and equipment, as well as real property consisting of land and building improvements. The title to these assets is held in the name of the Town, and security interest has been granted to the financing institution. The installment purchase notes payable at June 30, 2021 are as follows:

*Serviced by the General Fund:*

Direct borrowing installment purchase note payable in the original amount of \$1,218,500 for the purchase of various land and buildings. The underlying assets are held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$81,233, plus interest at 2.25%. Payments are due beginning August 20, 2012, and annually thereafter, with a final

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

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payment of all outstanding principal and unpaid interest due on August 20, 2026. \$ 487,400

Direct borrowing installment purchase note payable in the original amount of \$1,000,000 for the purchase of a fire ladder truck. The underlying assets is held as collateral against this note. The agreement requires a total of 12 annual fixed payments of \$93,905, including interest at 2.25%. Payments are due beginning November 8, 2013, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 8, 2024. 355,404

Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire pumper truck. The underlying asset is held as collateral against this note. The agreement requires a total of ten annual fixed payments of \$51,843, including interest at 2.00%. Payments are due beginning December 17, 2014, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 17, 2023. 149,543

Direct borrowing installment purchase note payable in the original amount of \$1,146,900 for the purchase of a tract of land within the Town's limits. The underlying asset is held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$76,460, plus interest at 2.63%. Payments are due beginning June 17, 2016, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 17, 2030. 688,140

Installment purchase note payable in the original amount of \$1,097,000 for building and land improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 10 annual variable payments with a fixed principal component of \$109,700, plus interest at 1.98%. Payments are due beginning September 18, 2015, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2024. 438,800

Direct borrowing installment purchase note payable in the original amount of \$5,130,000 for building and land improvements for the Public Services Administration Facility. The underlying assets are held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$85,500, plus interest at 2.050%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2031. 3,591,000

Direct borrowing installment purchase note payable in the original amount of \$3,185,000 for equipment and paving improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$79,625, plus interest at 1.83%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2026. 1,751,750

Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly fixed payments of \$12,963, including interest at

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

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1.74%. Payments are due beginning December 15, 2016, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 15, 2026. \$ 259,637

Direct borrowing installment purchase note payable in the original amount of \$921,500, of which the General Fund has been allocated \$571,500 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly fixed payments of \$29,587, including interest at 1.38%. Payments are due beginning October 25, 2016, with a final payment of all outstanding principal and unpaid interest due on July 25, 2021. 29,486

Direct borrowing installment purchase note payable in the original amount of \$6,900,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$115,000, plus interest at 2.63%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2032. 5,175,000

Direct borrowing installment purchase note payable in the original amount of \$1,552,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$38,800, plus interest at 2.42%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2027. 949,633

Direct borrowing installment purchase note payable in the original amount of \$1,290,035 for various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$64,502, plus interest at 1.91%. Payments are due beginning October 11, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on July 11, 2022. 322,509

Direct borrowing installment purchase note payable in the original amount of \$300,000 for the construction of Founders Körner Park. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$7,500, plus interest at 3.18%. Payments are due beginning September 28, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 28, 2028. 210,000

Direct borrowing installment purchase note payable in the original amount of \$1,940,000 for land and improvements related to the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$48,500, plus interest at 3.23%. Payments are due beginning December 14, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 14, 2028. 1,406,500

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

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Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the General Fund has been allocated \$909,150 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.80%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023. \$ 397,616

Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the General Fund has been allocated \$1,087,944 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024. 707,164

Direct borrowing installment purchase note payable in the original amount of \$740,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 28 quarterly fixed payments of \$26,639, including interest at 2.25%. Payments are due beginning August 10, 2020, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 10, 2027. 641,267

Direct borrowing installment purchase note payable in the original amount of \$518,715 for the purchase of various vehicles and equipment, and various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 1.68%. Payments are due beginning November 1, 2020, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on May 1, 2025. 414,972

Total \$ 17,975,821

*Serviced by the Stormwater Fund:*

Direct borrowing installment purchase note payable in the original amount of \$921,500, of which the Stormwater Fund has been allocated \$350,000 for the purchase of a various equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly fixed payments of \$18,120, including interest at 1.38%. Payments are due beginning October 25, 2016, with a final payment of all outstanding principal and unpaid interest due on July 25, 2021. \$ 18,057

Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the Stormwater Fund has been allocated \$365,000 for the purchase of a various equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.8%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023. 159,633

Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the Stormwater Fund has been

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

allocated \$60,100 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024.

	39,065
Total	<u>\$ 216,755</u>

Annual debt service payments of the direct borrowing installment purchases as of June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,836,021	\$ 403,936	\$ 101,022	\$ 4,537
2023	2,619,065	340,415	82,965	2,227
2024	2,428,232	281,501	29,748	352
2025	2,175,274	227,340	3,020	16
2026	1,818,922	178,368	-	-
2027 to 2031	5,352,307	391,331	-	-
2032 to 2036	<u>746,000</u>	<u>12,656</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,975,821</u>	<u>\$ 1,835,547</u>	<u>\$ 216,755</u>	<u>\$ 7,132</u>

**(b) General obligation indebtedness**

On July 29, 2014, the Town issued \$4,065,000 in General Obligation Refunding Bonds, Series 2014, as authorized by a resolution adopted by the Board of Aldermen on June 24, 2014, with final approval granted by the Local Government Commission of North Carolina (the "LGC"). The proceeds from these bonds were used to refund the Town's previously outstanding General Obligation Street Bonds, Series 2004, as well as pay certain fees and expenses incurred in connection with the sale and issuance of the bonds.

All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 consist of the following individual issues:

Refunding Bonds, Series 2014; principal due annually on May 1 beginning May 1, 2015 in installments of \$405,000 through 2023 with a final principal installment of \$420,000 due on May 1, 2024; interest due November 1 and May 1 beginning November 1, 2014 at 2.15% per annum.

\$ 1,230,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 405,000	\$ 26,445	\$ 431,445
2023	405,000	17,738	422,738
2024	<u>420,000</u>	<u>9,030</u>	<u>429,030</u>
	<u>\$ 1,230,000</u>	<u>\$ 53,213</u>	<u>\$ 1,283,213</u>

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

The state of North Carolina limits the general obligation borrowing of the Town to 8% of its total appraised value of property subject to Town taxation. The Town's legal debt margin, as of June 30, 2021, is as follows:

Assessed value for taxation	<u>\$ 3,293,679,649</u>
Legal debt margin (8%)	<u>\$ 263,494,372</u>
Debt applicable to limitation:	
Outstanding general obligation debt	1,230,000
Revolving loan payable	1,600,000
Installment purchases	<u>18,192,576</u>
Total net debt applicable to limit	<u>21,022,576</u>
Remaining legal debt margin	<u>\$ 242,471,796</u>

**(c) Revolving loan payable**

On June 3, 2003, the Town was approved for a maximum loan amount of \$8,000,000 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds were used to assist in the relocation of the Deep River Pump Station, construction of the Twin Creek Pump Station, and construction of new force mains and interceptors ending at the Abbott's Creek Pump Station. The loan is repayable in equal principal repayments of \$400,000 plus interest at 2.42% through fiscal year ending 2025. The Town repaid \$400,000 during fiscal year ended June 30, 2021. The total amount outstanding at June 30, 2021 was \$1,600,000.

Annual debt service requirements to maturity for the Revolving Loan Payable are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 400,000	\$ 38,720	\$ 438,720
2023	400,000	29,040	429,040
2024	400,000	19,360	419,360
2025	<u>400,000</u>	<u>9,680</u>	<u>409,680</u>
	<u>\$ 1,600,000</u>	<u>\$ 96,800</u>	<u>\$ 1,696,800</u>

**(d) Changes in long-term obligations**

During the year ended June 30, 2021, the following changes occurred in long-term obligations:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
General obligation bonds	\$ 1,635,000	\$ -	\$ (405,000)	\$ 1,230,000	\$ 405,000
Revolving loan payable	2,000,000	-	(400,000)	1,600,000	400,000
Direct borrowing installment purchases	20,391,264	481,858	(2,897,301)	17,975,821	2,836,021
Compensated absences	1,612,274	1,667,094	(1,693,253)	1,586,114	1,586,085
Total pension liability (LGERS)	5,409,770	1,578,643	-	6,988,413	-
Total pension liability (LEO)	2,978,861	1,306,774	(335,332)	3,950,303	413,527
Total OPEB obligation	<u>13,398,301</u>	<u>1,659,198</u>	<u>(2,543,826)</u>	<u>12,513,673</u>	<u>-</u>
	<u>\$ 47,425,470</u>	<u>\$ 6,693,567</u>	<u>\$ (8,274,712)</u>	<u>\$ 45,844,324</u>	<u>\$ 5,640,633</u>



**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Business-type activities:					
Direct borrowing installment purchases	\$ 378,005	\$ -	\$ (161,250)	\$ 216,755	\$ 101,022
Compensated absences	15,090	18,282	(16,895)	16,478	16,478
Total pension liability (LGERS)	207,463	52,103	-	259,567	-
Total OPEB obligation	<u>253,943</u>	<u>16,760</u>	<u>(127,961)</u>	<u>142,742</u>	<u>-</u>
	<u>\$ 854,501</u>	<u>\$ 87,145</u>	<u>\$ (306,106)</u>	<u>\$ 635,542</u>	<u>\$ 117,500</u>

Compensated absences, total pension obligation, and total OPEB obligation have typically been liquidated in the General Fund.

**C. Interfund balances and activity**

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

From the General Fund to the Stormwater Fund for storm water fees.	\$ 232,305
From the General Fund to the Capital Reserve Fund for estimated development fees related to future capital projects.	8,000
From the General Fund to the Capital Reserve Fund for estimated fees related to future OPEB liabilities.	50,000
From the General Fund to the Emergency Telephone System Fund to offset the originally anticipated reimbursement from Forsyth County that was not received.	60,252
From the General Fund to the Capital Reserve Fund to provide for operating expenses.	1,473,839
From the General Fund to the Kerner Mill Greenway Capital Projects Fund to provide for Kerner Mill Greenway expenses.	481,384
From the General Fund to the Capital Projects Fund to provide for Calebs Creek expenses.	138,512
From the General Fund to the Kerner Mill Greenway Capital Projects Fund to provide for loan proceeds received.	1,885,063
From Law Enforcement Forfeitures Fund to the General Fund for reimbursement of debt payments made for emergency vehicle purchased for the Fund.	32,315
From Capital Reserve Fund to the General Fund to provide for operating expenses	11,600
From Capital Reserve Fund to the General Fund for investment interest received.	2,318
From Capital Reserve Fund to the Recreation Department Capital Projects Fund to provide for construction of Recreation and Special Events Center expenses.	1,473,839

**Town of Kernersville, North Carolina**  
**Notes to Financial Statements**

From the Occupancy Tax Fund to the General Fund for recreation expenses.	\$ 29,511
From the Contributions Fund to the General Fund for fire department expenses.	<u>3,500</u>
	<u>\$ 5,882,438</u>

**D. Fund balance**

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

Total fund balance - General Fund	\$ 15,907,002
Less:	
Prepaid assets	15,397
Stabilization by state statute	5,216,321
Capital equipment	<u>28,709</u>
Unrestricted fund balance	10,646,575
Working capital/fund balance policy	<u>6,678,343</u>
Remaining fund balance	<u>\$ 3,968,232</u>

The Town's fund balance policy defines Unrestricted Fund Balance as all committed, assigned, and unassigned fund balances. The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

**3. Reconciliation of GAAP and Budget Basis Expenditures**

The accompanying schedule reconciles certain General Fund transactions which are treated differently on Exhibit 4 (GAAP basis) and Exhibit 5 (budgetary basis). These differences relate to installment purchase transactions and the water/sewer bond indebtedness, and are summarized below:

	<u>Exhibit 4</u>	<u>Increase (Decrease)</u>		<u>Exhibit 5</u>
General government	\$ 6,089,224	\$ 838,165	(1)	\$ 6,927,389
Public safety	15,421,748	1,712,200	(1)	17,133,948
Public service	5,914,719	394,078	(1)	6,308,797
Culture and recreation	2,520,167	392,767	(1)	2,912,934
Debt service	-	888,045	(1)	888,045
Principal retirement	3,739,158	(3,739,158)	(1)	-
Interest and fiscal charges	<u>486,097</u>	<u>(486,097)</u>	(1)	<u>-</u>
Total	<u>\$ 34,171,113</u>	<u>\$ -</u>		<u>\$ 34,171,113</u>

(1) *Reclassification of installment purchases and note payments.*

#### **4. Jointly Governed Organizations**

The Town is a participating member of the Piedmont Triad Regional Council (PTRC), which is a voluntary association of local governments serving 73 member governments in a 12-county area. The PTRC was established to make and implement joint regional decisions by bringing together local elected officials on a regular basis to give them an opportunity to form working relationships and promote cooperation among the members. Each of the 73 participating governments appoint one member to the PTRC's Board of Delegates. The Town paid membership fees of \$5,398 to the PTRC during the fiscal year ended June 30, 2021.

The Town, along with six other municipalities and Forsyth County, is also a participating member of the Triad Municipal Alcoholic Beverage Control Board. The Town of Kernersville appoints one member to the nine-member governing board. This organization was established under North Carolina Alcoholic Beverage laws to operate liquor stores in the Davie, Forsyth, Guilford and Yadkin County areas. North Carolina General Statutes require the ABC Board to distribute its net income to the participating municipalities. The distribution to the Town amounted to \$707,776 during the fiscal year ended June 30, 2021. Complete financial statements for the Triad Municipal ABC Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

#### **5. Interlocal Agreement**

An interlocal agreement between the Town and City/County Utility Commission (CCUC), which oversees the Winston-Salem/Forsyth County water and sewer system, was established in 1996. As a condition of the interlocal agreement, the Town transferred control and ownership of its pre-existing water and sewer systems and extensions to the CCUC, and the CCUC agreed to assume sole responsibility for planning, constructing, operating and maintaining the water and sewer systems. As part of the agreement, it was determined that the CCUC would charge the Town's sewer service customers an incremental rate to defray costs of repairs and continual improvements to the systems. The incremental rate was set to decline over the next ten years, allowing the overall rate charged to the Town's sewer customers to parallel those charged to similar customers. However, during July 2003, the incremental rate was frozen and a Rate Differential Account was established to accumulate the difference between the frozen rate and the previously scheduled rates. The funds accumulated within the Rate Differential Account were to be used by the Town for future water and sewer projects and debt service of the revolving loan payable (see Note II.B.7.c). The Rate Differential Account remains in the possession of the CCUC. As of June 30, 2021, the Rate Differential Account amounted to \$7,635,175. Under the terms of the most recent modification agreement in July 2016, the contract was extended in perpetuity.

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

##### ***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.

**COVID-19**

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus ("COVID-19") to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, and business practices. Federal and state governments have implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. The COVID-19 pandemic has impacted and may continue to impact our Board, including employees, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

**7. Subsequent Events**

Subsequent to year end, the Town of Kernersville entered into installment purchase agreements for the purchase of personal property (primarily vehicles and equipment) and improvements to Town properties.

## ***Required Supplementary Financial Data***

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

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Kernersville, North Carolina  
Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
For the Year Ended June 30, 2021\*  
Required Supplementary Information

Exhibit A-1

	2021	2020	2019	2018	2017
Beginning balance	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929	\$ 2,546,410
Service cost	117,857	105,525	114,611	95,531	101,702
Interest on the total pension liability	94,531	101,460	84,927	94,784	88,460
Changes in benefit terms	-	-	-	-	-
Differences between expensed and actual experience in the measurement of the total pension liability	(102,306)	(27,274)	177,543	53,053	-
Changes of assumptions or other inputs	1,019,622	89,241	(112,125)	160,733	(59,575)
Benefit payments	(158,262)	(154,922)	(175,396)	(168,759)	(137,068)
Other changes	-	-	-	-	-
Ending balance of the total pension liability**	<u>\$ 3,950,303</u>	<u>\$ 2,978,861</u>	<u>\$ 2,864,831</u>	<u>\$ 2,775,271</u>	<u>\$ 2,539,929</u>

\* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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

Town of Kernersville, North Carolina  
Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
For the Year Ended June 30, 2021\*  
Required Supplementary Information

Exhibit A-2

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 3,950,303	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929
Covered-employee payroll	3,782,774	3,683,897	3,765,492	3,628,855	3,661,815
Total pension liability as a percentage of covered-employee payroll	104.43%	80.86%	76.08%	76.48%	69.36%

\* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

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

Town of Kernersville, North Carolina  
Schedule of Changes in the Total OPEB Liability and Related Ratios  
Required Supplementary Information  
June 30, 2021\*

Exhibit B-1

	2021	2020	2019	2018
Total OPEB liability**				
Service cost	\$ 515,371	\$ 500,360	\$ 432,433	\$ 419,838
Interest	341,189	390,374	408,347	389,376
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,185,848)	-	-	-
Changes of assumptions	819,398	994,756	637,928	-
Benefit payments	(485,939)	(406,709)	(303,576)	(291,974)
Net change in total OPEB liability	(995,829)	1,478,781	1,175,132	517,240
Total OPEB liability, beginning	13,652,244	12,173,463	10,998,331	10,481,091
Total OPEB liability, ending	\$ 12,656,415	\$ 13,652,244	\$ 12,173,463	\$ 10,998,331
Covered-employee payroll	\$ 13,431,808	\$ 13,169,338	\$ 12,676,690	\$ 11,811,467
Total OPEB liability as a percentage of covered-employee payroll	94.23%	103.67%	96.03%	93.12%

**Notes:** Changes of assumption and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period.

Fiscal Year	Rate
2021	1.92%
2020	2.45%
2019	3.13%
2018	3.62%

\* This schedule is intended to provide information for ten fiscal years. Additional fiscal years' information will be displayed as it becomes available.

\*\* The Town of Kernersville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.



Town of Kernersville, North Carolina  
Schedule of Proportionate Share of Net Pension Liability (Asset)  
Local Government Employees' Retirement System  
Required Supplementary Information  
Last Eight Fiscal Years\*

Exhibit C-1

	2021	2020	2019	2018	2017	2016	2015	2014
Kernersville's proportion of the net pension liability (asset) (%)	<b>0.20283%</b>	0.20569%	0.21355%	0.21295%	0.21646%	0.22629%	0.22694%	.23710%
Kernersville's proportion of the net pension liability (asset) (\$)	<b>\$ 7,247,980</b>	\$ 5,617,233	\$ 5,066,136	\$ 3,253,286	\$ 4,594,006	\$ 1,015,579	\$ (1,338,370)	\$ 2,857,965
Kernersville's covered payroll	<b>13,155,641</b>	12,773,228	12,442,787	12,498,522	11,935,898	11,129,175	10,999,722	10,989,967
Kernersville's proportion of the net pension liability (asset) as a percentage of its covered payroll	<b>55.09%</b>	43.98%	40.72%	26.03%	38.49%	9.13%	-12.17%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	<b>88.61%</b>	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. Also, this schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

Town of Kernersville, North Carolina  
Schedule of Contributions  
Local Government Employees' Retirement System  
Required Supplementary Information  
Last Eight Fiscal Years\*

Exhibit C-2

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,377,852	\$ 1,205,305	\$ 1,016,821	\$ 960,028	\$ 899,448	\$ 812,578	\$ 798,097	\$ 784,303
Contributions in relation to the contractually required contribution	<u>1,377,852</u>	<u>1,205,305</u>	<u>1,016,821</u>	<u>960,028</u>	<u>899,448</u>	<u>812,578</u>	<u>798,097</u>	<u>784,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kernersville's covered payroll	\$ 13,318,910	\$ 13,155,641	\$ 12,773,228	\$ 12,442,787	\$ 12,498,522	\$ 11,935,898	\$ 11,129,175	\$ 10,999,722
Contributions as a percentage of covered payroll	10.35%	9.16%	7.96%	7.72%	7.20%	6.81%	7.17%	7.13%

\*This schedule is intended to provide information for ten fiscal years. Additional years' information will be displayed as it becomes available.

## *Supplementary Information*

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
General revenues:			
Ad valorem taxes:			
Current	\$ 17,998,012	\$ 18,689,467	\$ 691,455
Prior	83,750	51,183	(32,567)
Total	<u>18,081,762</u>	<u>18,740,650</u>	<u>658,888</u>
Other taxes and licenses:			
Local vehicle taxes and fees	109,800	119,986	10,186
Cablevision fees	14,500	6,391	(8,109)
Total	<u>124,300</u>	<u>126,377</u>	<u>2,077</u>
Unrestricted intergovernmental:			
Solid waste disposal tax	25,000	19,694	(5,306)
Utility sales tax	1,595,000	1,556,061	(38,939)
Telecommunications sales tax	172,000	128,480	(43,520)
Alcoholic beverage tax	700,000	817,669	117,669
Local option sales and use tax	5,564,695	6,620,460	1,055,765
Rental vehicle fees	46,176	52,450	6,274
Video programming	237,000	225,671	(11,329)
Total	<u>8,339,871</u>	<u>9,420,485</u>	<u>1,080,614</u>
Restricted intergovernmental:			
Powell Bill	633,845	633,845	-
State transportation grants	25,689	6,498	(19,191)
CCUC reimbursements	2,911,111	2,071,724	(839,387)
Governor's Highway Safety grants	28,262	28,263	1
Federal Department of Justice grants	47,998	20,916	(27,082)
NC Department of Commerce grants	73,318	73,318	-
NC Department of Pandemic Recovery Office	277,203	277,203	-
Total	<u>3,997,426</u>	<u>3,111,767</u>	<u>(885,659)</u>
Penalties and interest:			
Penalties and interest	28,500	34,212	5,712
Investment earnings	4,036	3,726	(310)
Total	<u>32,536</u>	<u>37,938</u>	<u>5,402</u>
Contributions and donations	<u>1,258,422</u>	<u>1,354,106</u>	<u>95,684</u>
Other general revenues:			
Other	<u>1,670,340</u>	<u>1,734,359</u>	<u>64,019</u>
Total general revenues	<u>33,504,657</u>	<u>34,525,682</u>	<u>1,021,025</u>
Functionally related revenues:			
Use and rental fees:			

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Recreation revenue	\$ 280,745	\$ 178,498	\$ (102,247)
Commercial industrial collection fees	720,600	647,313	(73,287)
Court facility fees	9,000	7,162	(1,838)
Rent on town property	592,108	567,221	(24,887)
Building inspections	709,443	755,080	45,637
Zoning fees	71,253	81,973	10,720
Recycling revenue	370,195	371,781	1,586
Yard waste cart fees and sales	17,280	18,540	1,260
Other functionally related fees	530,053	498,437	(31,616)
	<u>3,300,677</u>	<u>3,126,005</u>	<u>(174,672)</u>
Total functionally related revenues			
	<u>36,805,334</u>	<u>37,651,687</u>	<u>846,353</u>
Total revenues			
<b>Expenditures:</b>			
Current:			
General government:			
Governing body:			
Personnel services	28,172	28,089	
Operating and maintenance	346,889	313,537	
Other improvements	223,730	223,695	
Special appropriations	99,350	95,010	
Capital outlay	36,000	35,438	
Installment purchase agreement payments	277,400	276,633	
Total	<u>1,011,541</u>	<u>972,402</u>	<u>39,139</u>
Administration:			
Personnel services	361,607	363,290	
Operating and maintenance	32,996	27,670	
Total	<u>394,603</u>	<u>390,960</u>	<u>3,643</u>
Finance:			
Personnel services	551,494	540,300	
Operating and maintenance	491,253	416,434	
Total	<u>1,042,747</u>	<u>956,734</u>	<u>86,013</u>

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Information technology:			
Personnel services	\$ 385,585	\$ 372,566	
Operating and maintenance	292,081	282,162	
Capital outlay	13,763	11,775	
Installment purchase agreement payments	33,000	29,845	
Total	<u>724,429</u>	<u>696,348</u>	<u>\$ 28,081</u>
Planning and zoning:			
Personnel services	352,059	336,800	
Operating and maintenance	81,638	48,521	
Debt service	14,100	13,938	
Total	<u>447,797</u>	<u>399,259</u>	<u>48,538</u>
Human Resources:			
Personnel services	405,282	385,893	
Operating and maintenance	74,939	66,533	
Installment purchase agreement payments	4,950	4,849	
Total	<u>485,171</u>	<u>457,275</u>	<u>27,896</u>
General services:			
Personnel services	268,946	244,836	
Operating and maintenance	2,298,228	2,220,214	
Installment purchase agreement payments	529,267	526,838	
Capital outlay	67,000	62,523	
Total	<u>3,163,441</u>	<u>3,054,411</u>	<u>109,030</u>
Total general government	<u>7,269,729</u>	<u>6,927,389</u>	<u>342,340</u>
Public safety:			
Police department:			
Personnel services	7,218,340	7,014,455	
Operating and maintenance	855,568	737,385	
Special appropriations	5,500	4,253	
Capital outlay	894,885	592,219	
Installment purchase agreement payments	666,894	660,627	
Total	<u>9,641,187</u>	<u>9,008,939</u>	<u>632,248</u>

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire department:			
Personnel services	\$ 5,639,155	\$ 5,559,473	
Operating and maintenance	676,455	626,994	
Special appropriations	121,200	121,200	
Capital outlay	142,425	140,903	
Installment purchase agreement payments	1,062,681	1,046,601	
Total	<u>7,641,916</u>	<u>7,495,171</u>	<u>\$ 146,745</u>
Inspections:			
Personnel services	495,837	482,932	
Operating and maintenance:	83,399	77,297	
Capital outlay	151,000	64,637	
Installment purchase agreement payments	4,980	4,972	
Total	<u>735,216</u>	<u>629,838</u>	<u>105,378</u>
Total public safety	<u>18,018,319</u>	<u>17,133,948</u>	<u>884,371</u>
Public service:			
Engineering department:			
Personnel services	132,140	127,363	
Operating and maintenance	426,652	216,760	
Capital outlay	21,450	-	
Total	<u>580,242</u>	<u>344,123</u>	<u>236,119</u>
Street department:			
Personnel services	941,494	930,150	
Operating and maintenance	1,505,413	851,878	
Capital outlay	27,826	20,783	
Installment purchase agreement payments	280,800	280,014	
Total	<u>2,755,533</u>	<u>2,082,825</u>	<u>672,708</u>
Sanitation department:			
Personnel services	1,037,541	943,852	
Operating and maintenance	1,164,730	927,042	
Capital outlay	323,000	34,013	
Installment purchase agreement payments	58,900	57,127	
Total	<u>2,584,171</u>	<u>1,962,034</u>	<u>622,137</u>

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Public works administration:			
Personnel services	\$ 398,395	\$ 382,859	
Operating and maintenance	39,123	25,452	
Installment purchase agreement payments	46,700	46,612	
Total	<u>484,218</u>	<u>454,923</u>	<u>\$ 29,295</u>
Central maintenance:			
Personnel services	571,512	551,560	
Operating and maintenance	1,015,763	903,007	
Installment purchase agreement payments	10,450	10,325	
Total	<u>1,597,725</u>	<u>1,464,892</u>	<u>132,833</u>
Total public service	<u>8,001,889</u>	<u>6,308,797</u>	<u>1,693,092</u>
Cultural and recreational:			
Recreation department:			
Personnel services	1,142,822	1,062,590	
Operating and maintenance	875,854	714,500	
Capital outlay	799,900	743,077	
Installment purchase agreement payments	398,355	392,767	
Total	<u>3,216,931</u>	<u>2,912,934</u>	<u>303,997</u>
Total cultural and recreational	<u>3,216,931</u>	<u>2,912,934</u>	<u>303,997</u>
Debt service:			
Principal retirement	805,000	805,000	-
Interest and fiscal charges	83,553	83,045	508
Total debt service	<u>888,553</u>	<u>888,045</u>	<u>508</u>
Total expenditures	<u>37,395,421</u>	<u>34,171,113</u>	<u>3,224,308</u>
Revenues over (under) expenditures	<u>(590,087)</u>	<u>3,480,574</u>	<u>4,070,661</u>



Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
Year Ended June 30, 2021

Schedule 1  
(6 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Other financing sources (uses):			
Transfers from other funds:			
Occupancy Tax Fund	\$ 29,511	\$ 29,511	\$ -
Public Works Facility Capital Project			
Law Enforcement Forfeitures Fund	32,315	32,315	-
Capital Reserve Fund	13,920	13,918	(2)
Contributions Fund	3,500	3,500	-
Transfers to other funds:			
Emergency Telephone System Fund	(60,252)	(60,252)	-
Capital Reserve Fund	(1,670,351)	(1,670,351)	-
Stormwater Fund	(232,305)	(232,305)	-
Kerner Mill Greenway Capital Project			
Ordinance Fund	<u>(2,423,447)</u>	<u>(2,366,447)</u>	<u>57,000</u>
Total net transfers	(4,307,109)	(4,250,111)	56,998
Installment purchase obligations issued	518,715	481,858	(36,857)
Sale of capital assets	<u>115,660</u>	<u>108,625</u>	<u>(7,035)</u>
Total other financing uses	<u>(3,672,734)</u>	<u>(3,659,628)</u>	<u>13,106</u>
Revenues and other financing sources under expenditures and other financing uses	(4,262,821)	(179,054)	4,083,767
Appropriated fund balance	<u>4,262,821</u>	<u>-</u>	<u>(4,262,821)</u>
Revenues, other financing sources and appropriated fund balance under expenditures and other financing uses	<u>\$ -</u>	(179,054)	<u>\$ (179,054)</u>
Fund balance, beginning		<u>14,963,038</u>	
Fund balance, ending		<u>\$ 14,783,984</u>	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Reserve Fund  
Year Ended June 30, 2021

Schedule 2

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Investment earnings	\$ 10,000	\$ 250	\$ 250	\$ -
<b>Expenditures</b>				
Capital reserve expenditures	938,104	1,123,016	-	1,123,016
Revenues over (under) expenditures	(928,104)	(1,122,766)	250	1,123,016
<b>Other financing sources (uses)</b>				
Transfers in:				
General Fund	-	1,670,351	1,670,351	-
Transfers out:				
General Fund	(10,000)	(1,487,759)	(1,487,757)	2
Total other financing sources (uses)	(10,000)	182,592	182,594	2
Revenues and other financing sources under expenditures and other financing uses	(938,104)	(940,174)	182,844	1,123,018
Appropriated fund balance	938,104	940,174	-	(940,174)
Revenues and appropriated fund balance under expenditures and other financing uses	\$ -	\$ -	182,844	\$ 182,844
Fund balance, beginning			940,174	
Fund balance, ending			\$ 1,123,018	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Project Authorization and Actual  
Kerner Mill Greenway  
Capital Projects Funds  
Greenway Capital Projects Ordinance Fund  
From Inception and for the Year Ended June 30, 2021

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
<b>Revenues</b>					
Restricted					
intergovernmental	\$ 1,895,063	\$ -	\$ -	\$ -	\$ (1,895,063)
Investment earnings	-	333	52	385	385
Total revenues	1,895,063	333	52	385	(1,894,678)
<b>Expenditures</b>					
Cultural and recreational:					
Other operating					
expenditures	795,427	248,151	15,576	263,727	531,700
Capital outlay	1,643,195	86,480	-	86,480	1,556,715
Total expenditures	2,438,622	334,631	15,576	350,207	2,088,415
Revenues under					
expenditures	(543,559)	(334,298)	(15,524)	(349,822)	193,737
<b>Other financing sources</b>					
<b>(uses)</b>					
Transfers in:					
General Fund	2,423,447	443,806	2,366,447	2,810,253	386,806
Transfers out:					
General Fund	(1,885,063)	(104,000)	-	(104,000)	1,781,063
Total other					
financing sources	538,384	339,806	2,366,447	2,706,253	2,167,869
Revenues and					
other financing					
sources over					
(under) expenditures					
and other					
financing uses	(5,175)	5,508	2,350,923	2,356,431	2,361,606
Appropriated fund balance	5,175	(5,508)	-	(5,508)	(10,683)
Excess of revenues, other					
financing sources,					
appropriated fund balance					
under expenditures	\$ -	\$ -	2,350,923	\$ 2,350,923	\$ 2,350,923
Fund balance, beginning			5,508		
Fund balance,					
ending			\$ 2,356,431		

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## *Supplementary Information*

### Non-Major Governmental Funds

	<b>Non-Major Special Revenue Funds</b>		
	<b>Occupancy Tax Fund</b>	<b>Emergency Telephone System Fund</b>	<b>Contributions Fund</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 23,986	\$ 125,672	\$ 88,729
Restricted cash	-	-	-
Accounts receivable, net	-	-	-
Due from other governments	19,198	-	-
	<u>19,198</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 43,184</u>	<u>\$ 125,672</u>	<u>\$ 88,729</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ 2,625	\$ 8,533
	<u>-</u>	<u>2,625</u>	<u>8,533</u>
Total liabilities	<u>-</u>	<u>2,625</u>	<u>8,533</u>
Fund balances:			
Restricted:			
Stabilization by state statute	19,198	-	-
Tourism	23,986	-	-
Public safety	-	123,047	80,196
Committed:			
Capital projects	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>43,184</u>	<u>123,047</u>	<u>80,196</u>
Total liabilities and fund balances	<u>\$ 43,184</u>	<u>\$ 125,672</u>	<u>\$ 88,729</u>

	Non-Major Special Revenue Funds	Non-Major Capital Project Funds		
		Fire Department Facility Capital Projects Ordinance Fund	Recreation Department Capital Projects Ordinance Fund	Total Non-Major Governmental Funds
	Law Enforcement Forfeitures Fund			
<b>ASSETS</b>				
Cash and cash equivalents	\$ 260,473	\$ 34,126	\$ 1,464,837	\$ 1,997,823
Restricted cash	1,394	1,071	-	2,465
Accounts receivable, net	-	9,464	-	9,464
Due from other governments	-	-	-	19,198
Total assets	<u>\$ 261,867</u>	<u>\$ 44,661</u>	<u>\$ 1,464,837</u>	<u>\$ 2,028,950</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 71,490	\$ 82,648
Total liabilities	<u>-</u>	<u>-</u>	<u>71,490</u>	<u>82,648</u>
Fund balances:				
Restricted:				
Stabilization by state statute	-	9,464	-	28,662
Tourism	-	-	-	23,986
Public safety	261,867	-	-	465,110
Committed:				
Capital projects	<u>-</u>	<u>35,197</u>	<u>1,393,347</u>	<u>1,428,544</u>
Total fund balances	<u>261,867</u>	<u>44,661</u>	<u>1,393,347</u>	<u>1,946,302</u>
Total liabilities and fund balances	<u>\$ 261,867</u>	<u>\$ 44,661</u>	<u>\$ 1,464,837</u>	<u>\$ 2,028,950</u>

Town of Kernersville, North Carolina  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Non-Major Governmental Funds  
Year Ended June 30, 2021

Schedule 5  
(2 pages)

	Non-Major Special Revenue Funds		
	Occupancy Tax Fund	Emergency Telephone System Fund	Contributions Fund
<b>Revenues</b>			
Other taxes and licenses	\$ 124,427	\$ -	\$ -
Restricted intergovernmental	-	22,042	-
Investment earnings	7	-	-
Contributions and donations	-	-	8,416
Total revenues	124,434	22,042	8,416
<b>Expenditures</b>			
Public safety	-	63,988	15,402
Cultural and recreational	89,500	-	-
Total expenditures	89,500	63,988	15,402
Revenues over (under) expenditures	34,934	(41,946)	(6,986)
<b>Other financing sources (uses)</b>			
Transfers in:			
General Fund	-	60,252	-
Transfers out:			
General Fund	(29,511)	-	(3,500)
Total other financing sources (uses)	(29,511)	60,252	(3,500)
Revenues and other financing sources over (under) expenditures and other financing uses	5,423	18,306	(10,486)
Fund balances, beginning	37,761	104,741	90,682
Fund balances, ending	\$ 43,184	\$ 123,047	\$ 80,196



Town of Kernersville, North Carolina  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Non-Major Governmental Funds  
Year Ended June 30, 2021

Schedule 5  
(2 pages)

	Non-Major Special Revenue Funds	Non-Major Capital Project Funds		
		Fire Department Facility Capital Projects Ordinance Fund	Recreation Department Capital Projects Ordinance Fund	Total Non-Major Governmental Funds
	Law Enforcement Forfeitures Fund			
<b>Revenues</b>				
Other taxes and licenses	\$ -	\$ -	\$ -	\$ 124,427
Restricted intergovernmental	142,629	-	-	164,671
Investment earnings	2	3	26	38
Contributions and donations	-	-	-	8,416
Total revenues	142,631	3	26	297,552
<b>Expenditures</b>				
Public safety	41,286	10,089	-	130,765
Cultural and recreational	-	-	80,518	170,018
Total expenditures	41,286	10,089	80,518	300,783
Revenues over (under) expenditures	101,345	(10,086)	(80,492)	(3,231)
<b>Other financing sources (uses)</b>				
Transfers in:				
General Fund	-	-	1,473,839	1,534,091
Transfers out:				
General Fund	(32,315)	-	-	(65,326)
Total other financing sources (uses)	(32,315)	-	1,473,839	1,468,765
Revenues and other financing sources over (under) expenditures and other financing uses	69,030	(10,086)	1,393,347	1,465,534
Fund balances, beginning	192,837	54,747	-	480,768
Fund balances, ending	\$ 261,867	\$ 44,661	\$ 1,393,347	\$ 1,946,302

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Occupancy Tax Fund  
Year Ended June 30, 2021

Schedule 6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Occupancy tax proceeds	\$ 120,366	\$ 84,200	\$ 124,427	\$ 40,227
Investment earnings	500	50	7	(43)
Total revenues	120,866	84,250	124,434	40,184
<b>Expenditures</b>				
Cultural and recreational	92,500	92,500	89,500	(3,000)
Revenues over (under) expenditures	28,366	(8,250)	34,934	43,184
<b>Other financing uses</b>				
Transfers out:				
General Fund	(68,000)	(29,511)	(29,511)	-
Revenues over (under) expenditures and other financing uses	(39,634)	(37,761)	5,423	43,184
Appropriated fund balance	39,634	37,761	-	(37,761)
Revenues, other financing sources and appropriated fund balance over expenditures and other financing uses	\$ -	\$ -	5,423	\$ 5,423
Fund balance, beginning			37,761	
Fund balance, ending			\$ 43,184	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Emergency Telephone System Fund  
Year Ended June 30, 2021

Schedule 7

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues</b>				
Restricted intergovernmental	\$ 20,563	\$ 20,563	\$ 22,042	\$ 1,479
Investment earnings	25	25	-	(25)
Total revenues	20,588	20,588	22,042	1,454
<b>Expenditures</b>				
Public safety:				
Other operating expenditures			63,988	
Total expenditures	80,840	80,840	63,988	16,852
Revenues under expenditures	(60,252)	(60,252)	(41,946)	18,306
<b>Other financing sources</b>				
Transfers in:				
General Fund	60,252	60,252	60,252	-
Revenues and other financing sources over expenditures	\$ -	\$ -	18,306	\$ 18,306
Fund balance, beginning			104,741	
Fund balance, ending			\$ 123,047	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Contributions Fund  
Year Ended June 30, 2021

Schedule 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Contributions and donations			\$ 8,416	
Total revenues	\$ 27,375	\$ 28,450	8,416	\$ (20,034)
<b>Expenditures:</b>				
Public safety			15,402	
Total expenditures	\$ 27,375	\$ 29,991	15,402	14,589
Revenues under expenditures	-	(1,541)	(6,986)	(5,445)
<b>Other financing uses</b>				
Transfers out:				
General Fund	-	(3,500)	(3,500)	-
Appropriated fund balance	-	5,041	-	(5,041)
Revenues and appropriated fund balance under expenditures	\$ -	\$ -	(10,486)	\$ (10,486)
Fund balance, beginning			90,682	
Fund balance, ending			\$ 80,196	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Law Enforcement Forfeitures Fund  
Year Ended June 30, 2021

Schedule 9

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Restricted intergovernmental			\$ 142,629	
Total revenues	\$ 50	\$ 129,637	142,631	\$ 12,994
<b>Expenditures</b>				
Public safety			41,286	
Total expenditures	75	97,347	41,286	56,061
Revenues over (under) expenditures	(25)	32,290	101,345	69,055
<b>Other financing uses</b>				
Transfers out:				
General Fund	(5,000)	(32,315)	(32,315)	-
Revenues over (under) expenditures and other financing uses	(5,025)	(25)	69,030	69,055
Appropriated fund balance	5,025	25	-	(25)
Revenues and appropriated fund balance over (under) expenditures and other financing uses	\$ -	\$ -	69,030	\$ 69,030
Fund balance, beginning			192,837	
Fund balance, ending			\$ 261,867	

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Project Authorization and Actual  
Fire Department Facility  
Capital Projects Funds  
Facility Capital Projects Ordinance Fund  
From Inception and for the Year Ended June 30, 2021

Schedule 10

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Contributions	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Investment earnings		1,980	3	1,983	1,983
Total revenues	<u>25,000</u>	<u>26,980</u>	<u>3</u>	<u>26,983</u>	<u>1,983</u>
<b>Expenditures</b>					
Public safety:					
Departmental supplies	25,000	14,355	604	14,959	10,041
Capital outlay	6,900,000	6,899,919	9,485	6,909,404	(9,404)
Debt service:					
Principal retirement	805,000	805,000	-	805,000	-
Interest and other charges	<u>353,735</u>	<u>301,694</u>	<u>-</u>	<u>301,694</u>	<u>52,041</u>
Total expenditures	<u>8,083,735</u>	<u>8,020,968</u>	<u>10,089</u>	<u>8,031,057</u>	<u>52,678</u>
Revenues under expenditures	<u>(8,058,735)</u>	<u>(7,993,988)</u>	<u>(10,086)</u>	<u>(8,004,074)</u>	<u>54,661</u>
<b>Other financing sources</b>					
Transfers from:					
General Fund	1,158,735	1,148,735	-	1,148,735	(10,000)
Installment purchase obligations issued	<u>6,900,000</u>	<u>6,900,000</u>	<u>-</u>	<u>6,900,000</u>	<u>-</u>
Total other financing sources	<u>8,058,735</u>	<u>8,048,735</u>	<u>-</u>	<u>8,048,735</u>	<u>(10,000)</u>
Revenues and other financing sources over (under) expenditures and other financing sources	<u>\$ -</u>	<u>\$ 54,747</u>	<u>(10,086)</u>	<u>\$ 44,661</u>	<u>\$ 44,661</u>
Fund balance, beginning			<u>54,747</u>		
Fund balance, ending			<u>\$ 44,661</u>		

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Ba  
Project Authorization and Actual  
Recreation Facility  
Capital Projects Funds  
Recreation Facility Capital Projects Ordinance Fund  
From Inception and for the Year Ended June 30, 2021

Schedule 11

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>					
Investment earnings	\$ -	\$ -	\$ 26	\$ 26	\$ 26
Total revenues	-	-	26	26	26
<b>Expenditures</b>					
Cultural and recreational:					
Other operating expenditures	700,000	-	80,518	80,518	619,482
Capital outlay	773,839	-	-	-	773,839
Total expenditures	1,473,839	-	80,518	80,518	1,393,321
Revenues under expenditures	(1,473,839)	-	(80,492)	(80,492)	1,393,347
<b>Other financing sources (uses)</b>					
Transfers in:					
Capital Reserve Fund	1,473,839	-	1,473,839	1,473,839	-
Total other financing sources	1,473,839	-	1,473,839	1,473,839	-
Revenues and other financing sources over (under) expenditures and other financing uses	-	-	1,393,347	1,393,347	1,393,347
Appropriated fund balance	-	-	-	-	-
Excess of revenues, other financing sources, appropriated fund balance under expenditures	\$ -	\$ -	1,393,347	\$ 1,393,347	\$ 1,393,347
Fund balance, beginning			-		
Fund balance, ending			\$ 1,393,347		

Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP)  
Stormwater Enterprise Fund  
Year Ended June 30, 2021

Schedule 12  
(2 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Charges for services		\$ 1,174,498	
Investment earnings		191	
Restricted intergovernmental		-	
Total revenues	<u>\$ 1,841,639</u>	<u>1,174,689</u>	<u>\$ (666,950)</u>
<b>Expenditures</b>			
Personnel services		675,533	
Operating and maintenance		647,893	
Capital outlay		186,621	
Debt service:			
Principal retirement		161,250	
Interest and other charges		776	
Total expenditures	<u>2,073,944</u>	<u>1,672,073</u>	<u>401,871</u>
Revenues under expenditures	<u>(232,305)</u>	<u>(497,384)</u>	<u>(265,079)</u>
<b>Other financing sources</b>			
Transfers in:			
General Fund	<u>232,305</u>	<u>232,305</u>	<u>-</u>
Total other financing sources	<u>232,305</u>	<u>232,305</u>	<u>-</u>
Revenues, other financing sources under expenditures	<u>\$ -</u>	<u>(265,079)</u>	<u>\$ (265,079)</u>



Town of Kernersville, North Carolina  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Non-GAAP)  
Stormwater Enterprise Fund  
Year Ended June 30, 2021

Schedule 12  
(2 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Capital outlay		\$ 186,621	
Principal retirement		161,250	
Installment purchase obligations issued		-	
Depreciation		(193,378)	
Increase in accounts receivable		395	
Decrease in accrued interest payable		4,759	
Increase in accrued vacation pay		(1,387)	
Increase in deferred outflows of resources - pensions		19,055	
Decrease in net pension liability		(52,104)	
Decrease in deferred inflows of resources - pensions		633	
Decrease in deferred outflows of resources - OPEB		(3,155)	
Increase in OPEB liability		82,201	
Increase in deferred inflows of resources - OPEB		<u>(51,598)</u>	
Total reconciling items		<u>153,292</u>	
Change in net position		<u>\$ (111,787)</u>	

Town of Kernersville, North Carolina  
Schedule of Revenues and Expenditures  
Financial Plan and Actual (Non-GAAP)  
Worker's Comp Self-Insurance Fund  
Year Ended June 30, 2021

Schedule 13

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues</b>			
Operating revenues:			
Charges for services	\$ 300,295	\$ 299,755	\$ (540)
Nonoperating revenues:			
Investment earnings	<u>10,000</u>	<u>306</u>	<u>(9,694)</u>
Total revenues	<u>310,295</u>	<u>300,061</u>	<u>(10,234)</u>
<b>Expenditures</b>			
Claims paid		651,600	
Stop-loss coverage		69,805	
Administration		<u>9,950</u>	
Total expenditures	<u>1,085,295</u>	<u>731,355</u>	<u>353,940</u>
Revenues under expenditures	<u>\$ (775,000)</u>	(431,294)	<u>\$ 343,706</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in claims reserve		<u>(568,099)</u>	
Change in net position		<u>\$ (999,393)</u>	

## ***Supplementary Information***

### **Other Schedules**

This section contains additional information on property taxes.

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

Town of Kernersville, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2021

Schedule 14

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 21	\$ -	\$ 19,265,741	\$ 19,134,504	\$ 131,237
2019 - 20	77,844	-	41,330	36,514
2018 - 19	36,748	-	7,831	28,917
2017 - 18	20,562	-	2,965	17,597
2016 - 17	19,962	-	1,038	18,924
2015 - 16	13,132	-	196	12,936
2014 - 15	13,436	-	202	13,234
2013 - 14	15,411	-	139	15,272
2012 - 13	14,866	-	169	14,697
2011 - 12	12,142	-	106	12,036
2010 - 11	33,072	-	33,072	-
	<u>\$ 257,175</u>	<u>\$ 19,265,741</u>	<u>\$ 19,221,552</u>	301,364
Less allowance for uncollectible accounts: General Fund				<u>(73,000)</u>
				<u>\$ 228,364</u>

**Reconciliation of collections and credits with revenues:**

Ad valorem taxes - General Fund	\$ 18,740,650
Local vehicle taxes and fees - General Fund	119,986
Recycling revenue - General Fund	371,781
Refunds	7,862
Releases and other adjustments	(51,799)
Amounts written off for tax year 2008-2009 per statute of limitations	<u>33,072</u>
	<u>\$ 19,221,552</u>

Town of Kernersville, North Carolina  
Analysis of Current Tax Levy  
June 30, 2021

Schedule 15

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,293,679,649	\$ 0.5700	\$ 18,773,974	\$ 17,052,198	\$ 1,721,776
Recycling fees	-		371,781	371,781	-
Vehicle tag fees	-		119,986	4,895	115,091
Total property valuation	<u>\$ 3,293,679,649</u>				
Total levy			19,265,741	17,428,874	1,836,867
Less releases and deductions			-	-	-
Net levy			19,265,741	17,428,874	1,836,867
Uncollected taxes at June 30, 20120			(131,237)	(131,237)	-
Current year's taxes collected			<u>\$ 19,134,504</u>	<u>\$ 17,297,637</u>	<u>\$ 1,836,867</u>
Current levy collection percentage			<u>99.32%</u>	<u>99.25%</u>	<u>100.00%</u>

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## ***Supplementary Information***

### **Statistical Section**

This part of the Town of Kernersville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial health.

	<b><u>Page</u></b>
<b>Financial Trends Information</b> These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	103
<b>Revenue Capacity Information</b> These schedules contain information to help the reader assess the Town's most significant local revenue sources, property taxes and water and sewer charges.	115
<b>Debt Capacity Information</b> These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	123
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	131
<b>Operating Information</b> These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	137

**Sources :** *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

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### ***Financial Trends Information***

**Town of Kernersville, North Carolina**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Governmental activities:				
Net investment in capital assets	\$ 122,184,493	\$ 119,209,937	\$ 120,711,678	\$ 120,138,675
Restricted	2,450,611	1,618,871	2,405,379	2,612,352
Unrestricted	<u>(1,300,310)</u>	<u>733,451</u>	<u>(2,935,846)</u>	<u>(2,382,398)</u>
Total governmental activities net position	<u>123,334,794</u>	<u>121,562,259</u>	<u>120,181,211</u>	<u>120,368,629</u>
Business-type activities:				
Net investment in capital assets	229,098	238,723	213,296	642,737
Unrestricted	<u>749,343</u>	<u>901,352</u>	<u>1,136,080</u>	<u>1,019,185</u>
Total business-type activities net position	<u>978,441</u>	<u>1,140,075</u>	<u>1,349,376</u>	<u>1,661,922</u>
Primary government:				
Net investment in capital assets	122,413,591	119,448,660	120,924,974	120,781,412
Restricted	2,450,611	1,618,871	2,405,379	2,612,352
Unrestricted	<u>(550,967)</u>	<u>1,634,803</u>	<u>(1,799,766)</u>	<u>(1,363,213)</u>
Total primary government net position	<u><u>\$ 124,313,235</u></u>	<u><u>\$ 122,702,334</u></u>	<u><u>\$ 121,530,587</u></u>	<u><u>\$ 122,030,551</u></u>

Source: Statement of Net Position (Exhibit 1 in Basic Financial Statements)

Town of Kernersville, North Carolina  
Net Position by Component  
Last Ten Fiscal Years  
*(Accrual Basis of Accounting)*

Table 1

2016	2017	2018	2019	2020	2021
\$ 128,965,379	\$ 133,480,840	\$ 135,141,225	\$ 132,300,481	\$ 135,216,032	\$ 135,303,304
3,831,336	2,915,828	2,974,849	3,562,507	3,101,750	5,734,079
(3,576,780)	(3,941,027)	(8,037,105)	(5,847,148)	(7,193,357)	(8,463,987)
129,219,935	132,455,641	130,078,969	130,015,840	131,124,425	132,573,396
1,097,645	778,429	733,649	935,507	871,027	1,112,649
862,544	1,452,468	1,226,959	514,782	799,807	446,398
1,960,189	2,230,897	1,960,608	1,450,289	1,670,834	1,559,047
130,063,024	134,259,269	135,874,874	133,235,988	136,087,059	136,415,953
3,831,336	2,915,828	2,974,849	3,562,507	3,101,750	5,734,079
(2,714,236)	(2,488,559)	(6,810,146)	(5,332,366)	(6,393,550)	(8,017,589)
\$ 131,180,124	\$ 134,686,538	\$ 132,039,577	\$ 131,466,129	\$ 132,795,259	\$ 134,132,443

**Town of Kernersville, North Carolina**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year			
	2012	2013	2014	2015
<b>Expenses</b>				
Governmental activities:				
General government	\$ 4,139,013	\$ 4,168,945	\$ 3,494,897	\$ 3,629,864
Public safety	12,774,638	11,782,579	13,008,107	12,661,556
Public service	8,087,763	8,575,454	8,187,772	7,656,776
Cultural and recreation	1,544,984	1,606,921	1,603,499	1,958,985
Interest on long-term debt	396,651	377,849	354,509	303,089
Total governmental activities expenses	26,943,049	26,511,748	26,648,784	26,210,270
Business-type activities:				
Stormwater management	659,424	695,750	627,722	413,440
Total business-type activities expenses	659,424	695,750	627,722	413,440
Total primary government expenses	27,602,473	27,207,498	27,276,506	26,623,710
<b>Program revenues</b>				
Governmental activities:				
Charges for services:				
General government	251,053	335,490	435,885	411,302
Public safety	167,073	157,045	126,997	97,262
Public service	1,433,066	1,467,440	1,526,801	1,550,923
Cultural and recreation	267,114	282,126	308,777	382,647
Operating grants and contributions	2,871,690	2,930,324	2,324,088	1,805,122
Capital grants and contributions	248,058	162,253	3,070,242	1,349,246
Total governmental activities program revenues	5,238,054	5,334,678	7,792,790	5,596,502
Business-type activities:				
Charges for services:	1,006,712	988,820	1,013,509	1,011,196
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	1,006,712	988,820	1,013,509	1,011,196
Total primary government program revenues	6,244,766	6,323,498	8,806,299	6,607,698
<b>Net expenses</b>	<u><u>\$ (21,357,707)</u></u>	<u><u>\$ (20,884,000)</u></u>	<u><u>\$ (18,470,207)</u></u>	<u><u>\$ (20,016,012)</u></u>

Town of Kernersville, North Carolina  
Changes in Net Position  
Last Ten Fiscal Years  
*(Accrual Basis of Accounting)*

Table 2  
(4 pages)

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 4,682,077	\$ 4,630,977	\$ 4,547,895	\$ 4,394,732	\$ 4,646,851	\$ 6,445,203
13,322,213	14,815,390	15,078,648	15,681,232	17,581,895	18,387,376
7,682,255	8,980,651	9,039,660	9,974,585	10,507,974	8,986,468
1,935,181	2,014,319	2,061,807	2,120,218	2,500,759	2,476,422
210,542	205,476	497,994	626,954	570,962	484,285
27,832,268	30,646,813	31,226,004	32,797,721	35,808,441	36,779,754
957,626	1,020,285	1,460,104	1,876,068	1,626,276	1,519,176
957,626	1,020,285	1,460,104	1,876,068	1,626,276	1,519,176
28,789,894	31,667,098	32,686,108	34,673,789	37,434,717	38,298,930
537,176	489,370	409,277	568,974	490,029	554,013
126,767	110,179	133,629	204,746	298,469	179,565
1,748,790	1,975,833	1,879,476	2,180,930	1,994,100	2,213,929
381,412	363,926	383,545	357,568	197,246	178,498
2,262,642	2,500,775	2,026,108	2,282,677	1,957,603	2,560,738
10,264,508	6,653,970	996,330	277,085	170,205	2,078,222
15,321,295	12,094,053	5,828,365	5,871,980	5,107,652	7,764,965
1,037,037	1,056,296	1,074,193	1,115,025	1,162,898	1,174,893
-	-	-	-	442,924	-
1,037,037	1,056,296	1,074,193	1,115,025	1,605,822	1,174,893
16,358,332	13,150,349	6,902,558	6,987,005	6,713,474	8,939,858
\$ (12,431,562)	\$ (18,516,749)	\$ (25,783,550)	\$ (27,686,784)	\$ (30,721,243)	\$ (29,359,072)

**Town of Kernersville, North Carolina**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*

	<b>Fiscal Year</b>			
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>General revenues and other in net position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 12,696,485	\$ 12,883,905	\$ 13,097,529	\$ 13,493,647
Other taxes	246,837	247,477	218,755	238,417
Unrestricted intergovernmental revenue	6,200,440	6,194,669	6,036,044	6,606,027
Investments earnings, unrestricted	16,355	12,787	8,218	7,179
Transfers in (out)	177,330	131,789	135,102	285,331
Gain (loss) on disposal of capital assets	(1,581,296)	(115,866)	3,203	111,089
Miscellaneous	96,956	49,774	8,283	59,496
Total governmental activities	<u>17,853,107</u>	<u>19,404,535</u>	<u>19,507,134</u>	<u>20,801,186</u>
Business-type activities:				
Unrestricted intergovernmental revenue	-	-	-	-
Investments earnings, unrestricted	222	353	90	121
Transfers in (out)	(177,330)	(131,789)	(135,102)	(285,331)
Miscellaneous	-	-	-	-
Total business-type activities	<u>(177,108)</u>	<u>(131,436)</u>	<u>(135,012)</u>	<u>(285,210)</u>
Total primary government program revenues	<u>17,675,999</u>	<u>19,273,099</u>	<u>19,372,122</u>	<u>20,515,976</u>
<b>Change in net position</b>				
Governmental activities	(3,851,888)	(1,772,535)	651,140	187,418
Business activities	170,180	161,634	250,775	312,546
Total primary government change in net position	<u>\$ (3,681,708)</u>	<u>\$ (1,610,901)</u>	<u>\$ 901,915</u>	<u>\$ 499,964</u>

Source: Statement of Activities (Exhibit 2 in Basic Financial Statements)

Town of Kernersville, North Carolina  
Changes in Net Position  
Last Ten Fiscal Years  
*(Accrual Basis of Accounting)*

Table 2  
(4 pages)

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 14,061,544	\$ 15,371,366	\$ 16,239,699	\$ 17,124,077	\$ 17,650,690	\$ 18,762,693
253,740	254,325	283,587	301,782	259,708	250,804
7,095,351	7,392,058	7,977,157	8,394,820	8,624,285	9,420,485
24,449	80,037	176,105	409,615	263,446	38,584
(216,579)	(220,579)	(220,579)	(220,579)	(231,805)	(232,305)
143,774	52,202	60,812	8,231	643,210	108,625
-	149,485	2,123,660	844,666	4,599,840	2,114,874
21,362,279	23,078,894	26,640,441	26,862,612	31,809,374	30,463,760
-	8,760	-	-	-	-
2,277	5,358	15,648	30,145	9,194	191
216,579	220,579	220,579	220,579	231,805	232,305
-	-	-	-	-	-
218,856	234,697	236,227	250,724	240,999	232,496
21,581,135	23,313,591	26,876,668	27,113,336	32,050,373	30,696,256
8,851,306	4,526,134	1,242,802	(63,129)	1,108,585	1,448,971
298,267	270,708	(149,684)	(510,319)	220,545	(111,787)
\$ 9,149,573	\$ 4,796,842	\$ 1,093,118	\$ (573,448)	\$ 1,329,130	\$ 1,337,184

**Town of Kernersville, North Carolina**  
**Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*

	Fiscal Year			
	2012	2013	2014	2015
General Fund				
Reserved	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A
Non-spendable	\$ 14,490	\$ 16,479	\$ 222,957	\$ 5,250
Restricted	2,939,846	2,171,712	2,043,075	2,227,084
Committed	625,097	1,120,723	821,040	684,526
Assigned	500,654	397,654	226,126	253,144
Unassigned	5,619,305	7,733,398	7,178,931	8,348,194
Total general fund	9,699,392	11,439,966	10,492,129	11,518,198
All other governmental funds				
Reserved	N/A	N/A	N/A	N/A
Unreserved, reported in:				
Special revenue funds	N/A	N/A	N/A	N/A
Capital projects funds	N/A	N/A	N/A	N/A
Restricted	200,460	258,598	362,304	385,268
Committed	798,805	719,729	658,824	651,339
Assigned	338,229	277,892	-	-
Total all other governmental funds	1,337,494	1,256,219	1,021,128	1,036,607
Total fund balance	\$ 11,036,886	\$ 12,696,185	\$ 11,513,257	\$ 12,554,805

*N/A - Not applicable prior to and subsequent to the implementation of GASB Statement No. 54.*

*Source: Balance Sheet - Governmental Funds (Exhibit 3 in Basic Financial Statements)*



Town of Kernersville, North Carolina  
Fund Balances  
Governmental Funds  
Last Ten Fiscal Years  
*(Accrual Basis of Accounting)*

Table 3

Fiscal Year					
2016	2017	2018	2019	2020	2021
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
\$ 5,935	\$ 261,570	\$ 2,700	\$ 6,044	\$ 15,127	\$ 15,397
4,931,738	3,925,085	3,997,944	4,227,945	2,855,108	5,216,321
730,792	1,023,656	1,749,834	1,013,448	940,174	1,123,018
527,009	-	473,110	385,994	500,000	560,000
6,209,156	7,571,262	7,982,176	10,990,040	11,592,803	8,963,557
12,404,630	12,781,573	14,205,764	16,623,471	15,903,212	15,878,293
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
363,958	386,441	451,004	470,773	426,021	517,758
562,150	3,725,147	3,708,905	371,183	60,255	3,784,975
-	-	-	-	-	-
926,108	4,111,588	4,159,909	841,956	486,276	4,302,733
\$ 13,330,738	\$ 16,893,161	\$ 18,365,673	\$ 17,465,427	\$ 16,389,488	\$ 20,181,026

**Town of Kernersville, North Carolina**  
**Changes in Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year			
	2012	2013	2014	2015
<b>Revenues by source</b>				
Ad valorem taxes	\$ 12,687,750	\$ 12,885,047	\$ 13,151,903	\$ 13,528,449
Other taxes and licenses	246,837	247,477	218,755	238,417
Unrestricted intergovernmental	6,200,440	6,194,669	6,036,044	6,606,027
Restricted intergovernmental	1,926,452	1,928,177	1,045,699	1,862,253
Penalties and interest	35,242	58,630	16,949	60,236
Contributions and donations	889,458	1,002,147	854,417	940,041
Other revenues	216,806	49,990	8,283	59,496
Functionally related revenues	2,054,306	2,242,101	2,398,460	2,442,134
Total revenues	<u>24,257,291</u>	<u>24,608,238</u>	<u>23,730,510</u>	<u>25,737,053</u>
<b>Expenditures by function</b>				
General government	4,462,355	3,189,818	3,824,056	4,207,196
Public safety	11,613,615	11,688,938	12,547,679	12,509,496
Public service	6,423,007	6,679,349	6,638,214	6,607,747
Cultural and recreation	1,351,629	1,465,046	1,364,430	1,799,026
Debt service:				
Principal retirement	1,865,247	1,703,026	1,753,280	1,813,855
Interest and fiscal charges	401,301	367,301	345,661	257,074
Bond issuance costs	-	-	-	65,000
Total expenditures	<u>26,117,154</u>	<u>25,093,478</u>	<u>26,473,320</u>	<u>27,259,394</u>
Excess of revenue over (under) expenditures	<u>(1,859,863)</u>	<u>(485,240)</u>	<u>(2,742,810)</u>	<u>(1,522,341)</u>
<b>Other financing sources (uses)</b>				
Proceeds from installment purchases	1,383,000	1,905,500	1,364,750	2,102,469
Refunding bonds issued	-	-	-	4,065,000
Debt service - principal	-	-	-	(4,000,000)
Sale of capital assets	-	107,250	60,030	111,089
Transfers in	2,049,154	510,370	768,594	745,701
Transfers out	(1,946,554)	(378,581)	(633,492)	(460,370)
Total other financing sources	<u>1,485,600</u>	<u>2,144,539</u>	<u>1,559,882</u>	<u>2,563,889</u>
Net change in fund balances	<u>\$ (374,263)</u>	<u>\$ 1,659,299</u>	<u>\$ (1,182,928)</u>	<u>\$ 1,041,548</u>
Capital outlay included in total expenditures	<u>\$ 2,177,625</u>	<u>\$ 1,168,080</u>	<u>\$ 2,768,218</u>	<u>\$ 2,172,524</u>
Debt service as a percentage of noncapital expenditures	9.5%	8.7%	8.9%	8.3%

Source: Changes in Fund Balances - Governmental Funds (Exhibit 4 in Basic Financial Statements)

Town of Kernersville, North Carolina  
Changes in Fund Balances  
Governmental Funds  
Last Ten Fiscal Years  
*(Modified Accrual Basis of Accounting)*

Table 4

Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 14,062,364	\$ 15,318,974	\$ 16,242,913	\$ 17,262,956	\$ 17,700,036	\$ 18,740,650
253,740	254,325	283,587	301,782	259,708	250,804
7,095,351	7,392,058	7,977,157	8,394,820	8,624,285	9,420,485
1,957,999	1,828,677	2,062,276	1,335,610	985,852	3,276,438
58,732	77,046	166,013	386,317	246,951	38,278
491,255	1,026,527	1,033,129	1,230,110	1,141,956	1,362,522
-	149,485	90,143	242,687	5,590	1,734,359
2,793,937	2,716,432	2,732,960	3,306,260	2,979,844	3,126,005
26,713,378	28,763,524	30,588,178	32,460,542	31,944,222	37,949,541
4,792,965	5,383,778	4,763,809	4,364,518	4,357,949	6,089,224
13,529,860	16,852,211	18,339,615	17,830,988	16,158,030	15,552,513
5,480,561	7,705,003	11,022,173	7,409,664	7,498,008	5,914,719
2,636,038	2,071,640	2,103,393	2,134,585	2,851,211	2,705,761
2,131,846	2,249,818	2,638,191	3,608,502	3,800,212	3,739,158
150,832	131,774	130,753	649,333	567,675	486,097
-	-	-	-	-	-
28,722,102	34,394,224	38,997,934	35,997,590	35,233,085	34,487,472
(2,008,724)	(5,630,700)	(8,409,756)	(3,537,048)	(3,288,863)	3,462,069
2,647,400	9,361,500	10,042,035	2,849,150	1,801,519	481,858
-	-	-	-	-	-
353,836	52,202	60,812	8,231	643,210	108,625
151,827	730,645	706,702	1,779,854	528,176	3,979,782
(368,406)	(951,224)	(927,281)	(2,000,433)	(759,981)	(4,212,087)
2,784,657	9,193,123	9,882,268	2,636,802	2,212,924	358,178
\$ 775,933	\$ 3,562,423	\$ 1,472,512	\$ (900,246)	\$ (1,075,939)	\$ 3,820,247
\$ 2,439,094	\$ 4,615,485	\$ 9,823,669	\$ 5,029,209	\$ 2,722,973	\$ 1,306,540
8.7%	8.0%	9.5%	13.7%	13.4%	12.7%

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### ***Revenue Capacity Information***

Town of Kernersville, North Carolina  
Tax Revenues by Source  
Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

Table 5

Fiscal Year	Ad Valorem Property Tax <sup>a</sup>	Local Option Sales & Use Tax	Utilities Franchise and Sales Tax <sup>b</sup>	Hotel/Motel Occupancy Tax	Alcoholic Beverage Tax <sup>c</sup>
2012	\$ 12,687,750	\$ 3,726,298	\$ 1,397,145	\$ 94,641	\$ 353,031
2013	12,885,047	3,702,977	1,424,476	95,952	363,487
2014	13,151,903	3,751,318	1,479,625	106,656	398,872
2015	13,528,449	4,239,410	1,830,850	113,742	452,601
2016	14,062,364	4,605,164	1,916,865	137,964	484,780
2017	15,318,974	4,833,178	1,883,992	143,670	586,746
2018	16,242,913	5,330,872	1,947,550	161,720	603,277
2019	17,262,956	5,640,887	2,004,783	173,887	684,102
2020	17,700,036	5,911,981	1,931,504	134,578	714,795
2021	<b>18,740,650</b>	<b>6,620,460</b>	<b>1,910,212</b>	<b>124,427</b>	<b>817,669</b>
Change from 2012 to 2021	<b>47.7%</b>	<b>77.7%</b>	<b>36.7%</b>	<b>31.5%</b>	<b>131.6%</b>

<sup>a</sup> Ad valorem property taxes are the Town's most significant source of revenues. All other taxes and revenues are either comparatively insignificant or levied by a governmental entity other than the Town of Kernersville. Property tax increase is due to continued real property value growth and continued diligence in the collection of property taxes. This year's collection rate was 99.57%.

<sup>b</sup> Includes taxes on piped natural gas, electricity, telecommunication services and video programming.

<sup>c</sup> The Alcoholic Beverage Tax includes distributions from both the State and Forsyth County.

Town of Kernersville, North Carolina  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years  
*(Rate per \$100 of Assessed Value)*

Table 6

Fiscal Year	Town Direct Rates			Forsyth County <sup>d</sup>	Guilford County <sup>d c</sup>
	Basic Rate	General Obligation Streets Debt Service <sup>a</sup>	Total Direct		
2012	0.4475	0.05	0.4975	0.6740	0.7824
2013	0.4475	0.05	0.4975	0.6740	0.7804
2014	0.4775	0.05	0.5275	0.6787	0.7700
2015	0.4925	0.05	0.5425	0.7168	0.7700
2016	0.4925	0.05	0.5425	0.7310	0.7600
2017	0.5200	0.05	0.5700	0.7310	0.7550
2018	0.5045	0.05	0.5545	0.7235	0.7305
2019	0.5200	0.05	0.5700	0.7535	0.7305
2020	0.5200	0.05	0.5700	0.7535	0.7305
2021	<b>0.5200</b>	<b>0.05</b>	<b>0.5700</b>	<b>0.7535</b>	<b>0.7305</b>

Source: Forsyth County Tax Office and Guilford County Tax Office

*Note: As approved by the citizens of Kernersville in the Bond Referendum held in the November General Election of 1998, the Town has established a special assessment equal to five cents on the tax rate in order to retire the debt generated by the sale of long-term street bonds sold on May 4, 2004. These street bonds were subsequently refunded on July 29, 2014, upon issuance of the new general obligation bond funding.*

*The Town's basic property tax rate may be increased only by a majority vote of the Town's Board of Aldermen.*

*Note: Rates for debt service are set based on each year's requirements.*

<sup>a</sup> *A separate debt service fund has not been established, but revenues equal to five cents on the tax rate are used each year to pay the annual bond debt.*

<sup>b</sup> *Overlapping rates are those of local and county governments that apply to property owners within the Town of Kernersville.*

<sup>c</sup> *In 2009, the Town expanded into Guilford County under an annexation agreement.*

Town of Kernersville, North Carolina  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Table 7

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Winston-Salem Healthcare Development	\$ 102,987,556	1	3.73%	\$ 34,695,780	2	1.32%
Deere-Hitachi	97,507,147	2	3.54%	-	3	0.00%
Dogwood Propco I LP	50,206,977	3	1.82%	17,801,000	-	0.68%
Hawthorne Midway	35,355,816	4	1.28%	-	-	0.00%
Duke Energy Corp	31,714,696	5	1.15%	-	8	0.00%
Reserve at Smith Crossing, LLC	31,565,665	6	1.14%	-	-	0.00%
Grass America Inc	27,501,295	7	1.00%	-	5	0.00%
Wal-Mart	27,164,949	8	0.98%	18,256,200	7	0.70%
DLS Kernersville LLC	22,722,979	9	0.82%	22,609,490	6	0.86%
Boma North Carolina LLC	18,167,324	10	0.66%	25,685,390	-	0.98%
	<u>\$ 444,894,404</u>		<u>16.13%</u>	<u>\$ 119,047,860</u>		<u>4.54%</u>

Source: Forsyth County Tax Office



Town of Kernersville, North Carolina  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 13,048,827	\$ 12,755,708	97.75%	\$ 281,083	\$ 13,036,791	99.91%
2013	13,178,975	12,953,063	98.29%	211,215	13,164,278	99.89%
2014	13,538,090	13,369,800	98.76%	153,018	13,522,818	99.89%
2015	13,820,404	13,730,922	99.35%	76,248	13,807,170	99.90%
2016	14,288,679	14,224,114	99.55%	51,629	14,275,743	99.91%
2017	15,812,058	15,670,133	99.10%	123,001	15,793,134	99.88%
2018	16,593,014	16,474,026	99.28%	101,396	16,575,422	99.89%
2019	17,856,183	17,741,095	99.36%	86,171	17,827,266	99.84%
2020	18,191,775	18,113,931	99.57%	41,330	18,155,261	99.80%
2021	<b>19,265,741</b>	<b>19,134,504</b>	<b>99.32%</b>	-	<b>19,134,504</b>	<b>99.32%</b>

Sources: Forsyth County and Guilford County Tax Offices

Town of Kernersville, North Carolina  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year Ended June 30</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Public Service Companies Property</b>
2012	\$ 1,379,732,482	\$ 607,007,003	\$ 64,306,520	\$ 45,617,523
2013	1,369,830,089	613,351,703	93,149,696	48,352,263
2014	1,245,558,247	542,639,948	83,699,860	38,060,695
2015	1,551,270,046	522,712,586	149,963,590	53,157,539
2016	1,541,668,384	530,690,186	185,919,060	56,134,541
2017	1,245,436,246	905,417,895	122,502,253	55,527,861
2018	1,239,326,123	1,122,178,626	134,256,608	58,599,370
2019	1,294,603,558	1,170,998,567	133,318,580	61,747,739
2020	1,316,305,365	1,193,200,024	140,238,276	64,414,198
2021	<b>1,379,751,475</b>	<b>1,202,120,224</b>	<b>232,182,652</b>	<b>67,198,819</b>

Source: Forsyth County Tax Assessor's Office TR-1 Report. & Guilford County Tax Assessor's TR-1 Report

Note: Property in Forsyth County is reassessed once every four years. Property in Guilford County is reassessed once every eight years.

Total Taxable Assessed Value includes: all residential, commercial and industrial real property, public service company property less tax-exempt property (no vehicles or personal property included).

Actual Taxable Value includes: all Total Taxable Assessed Value plus registered motor vehicles, personal property and discoveries, net of releases.

Town of Kernersville, North Carolina  
Assessed Value and Actual Value of Taxable Property  
Last Ten Fiscal Years

Table 9

Less: Tax-Exempt Property		Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	14,560,840	\$ 2,082,102,688	0.4975	\$ 2,571,394,840	80.97%
	34,740,649	2,089,943,102	0.4975	2,600,402,211	80.37%
	32,354,749	1,877,604,001	0.5275	2,550,261,901	73.62%
	44,872,741	2,232,231,020	0.5425	2,501,712,811	89.23%
	42,332,096	2,272,080,075	0.5425	2,580,794,101	88.04%
	45,517,724	2,283,366,531	0.5700	2,719,792,281	83.95%
	49,358,741	2,505,001,986	0.5545	2,696,929,040	92.88%
	47,129,882	2,613,538,562	0.5700	2,774,875,458	94.19%
	23,890,843	2,690,267,020	0.5700	2,829,692,756	95.07%
	<b>23,517,870</b>	<b>2,857,735,300</b>	<b>0.5700</b>	<b>3,002,376,630</b>	<b>95.18%</b>

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### ***Debt Capacity Information***

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Town of Kernersville, North Carolina  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of County Personal Income	Per Capita <sup>a</sup>
	General Obligation Bonds	State Revolving Loan	Installment Purchases	Installment Purchases			
2012	\$ 4,800,000	\$ 5,200,000	\$ 2,026,270	\$ 37,621	\$ 12,063,891	n/a	\$ 514
2013	4,400,000	4,800,000	3,028,744	-	12,228,744	n/a	498
2014	4,000,000	4,400,000	3,440,214	-	11,840,214	n/a	494
2015	3,660,000	4,000,000	4,533,828	178,938	12,372,766	n/a	512
2016	3,255,000	3,600,000	5,894,487	134,988	12,884,475	n/a	532
2017	2,850,000	3,200,000	13,811,170	389,201	20,250,371	n/a	819
2018	2,445,000	2,800,000	21,512,884	274,777	27,032,661	n/a	1,074
2019	2,040,000	2,400,000	21,558,532	470,553	26,469,085	n/a	1,014
2020	1,635,000	2,000,000	20,391,264	378,005	24,404,269	n/a	927
2021	<b>1,230,000</b>	<b>1,600,000</b>	<b>17,975,821</b>	<b>216,755</b>	<b>21,022,576</b>	<b>n/a</b>	<b>793</b>

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Table 14 for personal income for Forsyth County and population data for the Town of Kernersville. These ratios are calculated using population for the prior calendar year.

Town of Kernersville, North Carolina  
 Ratios of General Bonded Debt Outstanding  
 Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Total	Percentage of G.O. Debt to Actual Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
2012	\$ 4,800,000	\$ 4,800,000	0.1867%	\$ 201.83
2013	4,400,000	4,400,000	0.1692%	184.70
2014	4,000,000	4,000,000	0.1568%	166.49
2015	3,660,000	3,660,000	0.1463%	151.38
2016	3,255,000	3,255,000	0.1261%	134.30
2017	2,850,000	2,850,000	0.1048%	115.24
2018	2,445,000	2,445,000	0.0833%	97.16
2019	2,040,000	2,040,000	0.0650%	78.18
2020	1,635,000	1,635,000	0.0526%	62.14
2021	<b>1,230,000</b>	<b>1,230,000</b>	<b>0.0373%</b>	<b>46.42</b>

*Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.*

<sup>a</sup> See Table 5 for property value data.

<sup>b</sup> See Table 14 for population data.



<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable<sup>a &amp; b</sup></b>	<b>Estimated Share of Overlapping Debt</b>
Debt repaid with property taxes:			
Forsyth County's general obligation debt	\$ 649,080,268	7.020%	\$ 45,565,435
Town of Kernersville's direct debt			<u>20,805,821</u>
Total direct and overlapping debt			<u><u>\$ 66,371,256</u></u>

<sup>a</sup> Source: Forsyth County

<sup>b</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value which is within the County's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for the Town of Kernersville's other debt.

Town of Kernersville, North Carolina  
Legal Debt Margin Information  
Governmental Funds  
Last Ten Fiscal Years

---

	Fiscal Year			
	2012	2013	2014	2015
Debt limit	\$ 205,711,587	\$ 208,032,177	\$ 204,020,952	\$ 200,137,025
Total net debt applicable to limit	12,063,891	12,228,744	11,840,214	12,372,766
Legal debt margin	<u>\$ 193,647,696</u>	<u>\$ 195,803,433</u>	<u>\$ 192,180,738</u>	<u>\$ 187,764,259</u>

*Note: Under state finance law, the Town's outstanding general obligation debt should not exceed 8% of total assessed property value.*

Town of Kernersville, North Carolina  
Legal Debt Margin Information  
Governmental Funds  
Last Ten Fiscal Years

Table 13

Legal Debt Margin Calculation for Fiscal Year 2021					
Assessed value				\$	3,293,679,649
Debt limit (8% of assessed value)				\$	263,494,372
Debt applicable to limit:					
General obligation bonds					1,230,000
Revolving loan payable					1,600,000
Installment purchases					18,192,576
Total net debt applicable to limit					21,022,576
Legal debt margin				\$	242,471,796
Fiscal Year					
2016	2017	2018	2019	2020	2021
\$ 206,463,528	\$ 217,583,382	\$ 234,747,556	\$ 250,944,996	\$ 248,657,221	\$ 263,494,372
12,749,487	20,250,371	27,032,661	26,469,085	24,404,269	21,022,576
\$ 193,714,041	\$ 197,333,011	\$ 207,714,895	\$ 224,475,911	\$ 224,252,952	\$ 242,471,796

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### ***Demographic and Economic Information***

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Town of Kernersville, North Carolina  
Demographic and Economic Statistics  
Last Ten Calendar Years

Table 14

Calendar Year	Population <sup>1</sup>	Forsyth County Personal Income <sup>1</sup>	Per Capita Personal Income <sup>1</sup>	Median Age <sup>1</sup>	School Enrollment <sup>2</sup>	Unemployment Rate <sup>3</sup>
2012	23,782	\$ 13,489,313	\$ 38,003	37.4	7,839	9.0%
2013	23,823	14,176,253	39,583	37.4	7,746	9.5%
2014	24,025	14,354,615	N/A	37.5	7,578	7.5%
2015	24,177	15,137,006	N/A	37.5	10,697 <sup>4</sup>	5.5%
2016	24,237	N/A	N/A	36.0	10,202 <sup>4</sup>	4.9%
2017	24,730	N/A	N/A	0	9,939 <sup>4</sup>	4.5%
2018	25,164	N/A	N/A	0	10,225 <sup>4</sup>	4.1%
2019	26,093	N/A	N/A	0	9,764 <sup>4</sup>	4.4%
2020	26,312	N/A	N/A	0	9,898 <sup>4</sup>	8.2%
2021	<b>26,497</b>	<b>N/A</b>	<b>N/A</b>	<b>0</b>	<b>9,900 <sup>4</sup></b>	<b>5.0%</b>

**Note:** Personal Income, Per Capita Personal Income, Median Age and Unemployment rates are not available for the Town of Kernersville. Statistics for Forsyth County were used.

<sup>1</sup> Office of State Budget and Management, Information for Forsyth County was used.

<sup>2</sup> Winston-Salem/Forsyth County School System.

<sup>3</sup> Employment Security Commission; Forsyth County rates were used.

<sup>4</sup> Beginning in calendar year 2015, school enrollment numbers include data from Glenn High School, Sage Elementary, and Union Cross Academy; prior to 2015, this data was previously not available.

Town of Kernersville, North Carolina  
Principal Employers for Forsyth County  
Current Year and Nine Years Ago

Table 15

Employer	2021 <sup>1</sup>			2012 <sup>2</sup>		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Wake Forest University Baptist Medical Center	18,570	1	10.4%	12,837	1	7.6%
Novant Health	11,010	2	6.2%	8,145	2	5.2%
Winston-Salem/Forsyth County School System	5,500	3	3.1%	6,692	3	4.3%
BB&T	4,000	4	2.2%	2,200	8	1.3%
Wells Fargo Bank	3,500	5	2.0%	2,800	6	1.8%
Reynolds American	2,500	6	1.4%	3,000	4	1.9%
Hanesbrands	2,400	7	1.3%	2,800	5	1.8%
City of Winston-Salem	2,287	8	1.3%	2,660	7	1.7%
Wake Forest University	2,270	9	1.3%	1,680	10	1.1%
Forsyth County	2,127	10	1.2%	2,029	9	1.3%
Total	54,164		30.4%	44,843		28.0%

<sup>1</sup> estimates as of June 2021

<sup>2</sup> estimates as of June 2012

Sources: Number of employees provided by the Greater Winston-Salem Chamber of Commerce, as reported by individual companies and institutions. County civilian labor force information used to calculate percentage of total employment provided by the North Carolina Employment Security Commission.



Town of Kernersville, North Carolina  
Full-Time Equivalent Town Government Employees by Functions/Programs  
Last Ten Fiscal Years

Table 16

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General government:										
Governing body	6	6	6	6	6	6	6	6	6	<b>6</b>
Administration	3	3	3	3	3	3	3	3	3	<b>3</b>
Finance	6	6	7	6	5	6	6	6	6	<b>6</b>
Information										
Technology	3	3	3	3	4	4	4	4	4	<b>5</b>
Planning & Zoning	4	4	4	4	4	4	4	4	3	<b>5</b>
Inspections	5	5	6	5	4	6	6	6	5	<b>7</b>
Personnel	4	4	5	5	4	4	4	4	4	<b>4</b>
General Services	3	3	3	3	4	4	5	5	5	<b>4</b>
Police:										
Officers	63	65	67	67	68	67	67	68	69	<b>66</b>
Civilians	20	20	20	20	19	20	20	20	19	<b>19</b>
Fire:										
Firefighters and officers	68	70	73	71	71	70	70	73	74	<b>72</b>
Civilians	1	1	1	1	1	1	1	2	2	<b>2</b>
Public Service:										
Engineering	2	2	2	3	2	1	1	1	1	<b>1</b>
Street	19	20	17	21	16	17	16	16	15	<b>14</b>
Sanitation	22	22	22	20	18	16	18	18	16	<b>16</b>
Transportation	4	3	2	-	-	-	-	-	-	<b>-</b>
Public Works										
Administration	4	3	5	5	4	4	4	4	4	<b>4</b>
Central Maintenance	8	9	9	8	7	8	8	7	6	<b>8</b>
Stormwater Enterprise	5	5	5	3	4	8	8	11	11	<b>10</b>
Cultural and Recreation:										
Recreation	8	10	9	11	14	15	15	15	15	<b>14</b>
Total	<u>258</u>	<u>264</u>	<u>269</u>	<u>265</u>	<u>258</u>	<u>264</u>	<u>266</u>	<u>273</u>	<u>268</u>	<u><b>266</b></u>

Source: Town's Payroll Department

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## ***Operating Information***

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Town of Kernersville, North Carolina  
Operating Indicators by Function/Program  
Last Ten Fiscal Years

Table 17

Function/Program	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police:										
Physical arrests	1,077	1,887	1,495	1,943	792	1,698	1,973	1,908	1,566	<b>1,450</b>
Parking violations	170	160	59	84	25	47	39	20	15	<b>9</b>
Traffic violations	4,859	4,658	3,735	7,393	4,445	5,606	5,516	5,007	4,189	<b>3,184</b>
Fire:										
Emergency responses	2,642	2,798	3,018	2,973	2,780	3,007	3,155	3,258	2,879	<b>2,382</b>
Fires extinguished	83	108	215	136	117	81	122	52	97	<b>110</b>
Inspections	1,872	1,755	1,225	932	678	485	1,203	1,186	945	<b>1,964</b>
Refuse collection:										
Refuse collected (tons per year)	13,152	12,990	13,408	13,350	13,865	14,442	14,443	15,140	14,962	<b>14,415</b>
Recyclables collected (tons per year)	4,502	4,291	2,123	2,131	2,248	2,394	2,411	2,517	2,446	<b>2,378</b>
Other public works:										
Street resurfacing (miles)	-	2.2	3.1	-	-	-	3.4	4.5	2.2	<b>0.2</b>
Potholes repaired (square yards)	2,969	1,393	1,792	1,496	224	331	433	401	334	<b>80</b>
Parks and recreation:										
Athletic field permits issued	32	37	32	54	57	57	57	57	40	<b>44</b>

Sources: Various Town departments

Note: Indicators are not available for the general government function.

**Town of Kernersville, North Carolina**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year			
	2012	2013	2014	2015
Police:				
Stations	1	1	1	1
Policemen and officers	63	65	67	67
Annual police calls to which responded	41,880	39,421	36,724	44,940
Annual traffic accidents	1,346	1,309	1,345	1,311
Annual number of arrests (18 years and over)	2,575	1,324	1,170	2,320
Fire:				
Stations	4	4	4	4
Firemen and officers	68	70	73	71
Annual fire calls	2,642	2,798	3,018	2,973
Building permits issued:	144	237	256	184
Value of building permits issued	\$ 11,464,132	\$ 38,875,388	\$ 135,649,973	\$ 23,931,938
Public services:				
Streets (miles)	94.567	94.480	94.868	95.267
Streetlights	3,100	3,106	3,192	3,192
Traffic signals	28	28	33	33
Parks and recreation:				
Parks	7	7	9	9
Total acreage of parks	294	294	327	327
Lighted tennis courts	6	6	6	6
Recreation centers	1	1	1	1
Baseball/softball diamonds	3	3	3	3
Soccer fields:	5	5	7	11
Joint-use agreements:				
Joint Use Soccer Fields	-	-	-	4
Joint Use Ball Fields (lit)	-	-	-	7
Fishing and boating lakes:				
Owned and operated by the Town	2	2	2	2
Owned and operated by Forsyth County	1	1	1	1

*Sources: Various Town Departments*

*Note: No capital asset indicators are available for the general government function.*

Town of Kernersville, North Carolina  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

Table 18

Fiscal Year						
2016	2017	2018	2019	2020	2021	
1	1	1	1	1	1	
68	67	67	68	69	66	
48,242	72,117	51,157	43,831	56,725	50,374	
1,503	1,575	1,463	1,524	1,346	1,303	
1,188	1,698	1,973	1,761	1,385	3,030	
4	4	4	4	4	4	
71	70	70	73	74	72	
2,780	3,007	3,155	3,266	2,879	1,461	
243	3,191	3,594	3,875	4,086	5,693	
\$ 51,977,005	\$ 71,172,206	\$ 58,920,757	\$ 140,182,037	\$ 78,931,097	\$ 137,576,436	
95.792	97,456	99,530	98,400	98,660	100,230	
3,192	3,192	3,281	3,281	3,281	3,705	
34	34	34	34	36	36	
9	9	9	11	13	12	
327	327	327	421	468	456	
6	6	6	6	6	6	
1	1	1	1	1	1	
3	3	3	3	10	10	
7	7	7	7	11	11	
4	4	4	4	4	4	
7	7	7	7	7	7	
2	2	2	3	3	3	
1	1	1	-	-	-	

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## ***Supplementary Information***

Compliance Section

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# **Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Members of the Board of Aldermen  
Town of Kernersville, NC

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Kernersville's basic financial statements, and have issued our report thereon dated October 29, 2021.

## ***Internal Control over Financial Reporting***

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

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

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



***Compliance and Other Matters***

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

***Purpose of this Report***

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

*Dixon Hughes Goodman LLP*

High Point, NC  
October 29, 2021



# **Independent Auditors' Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act**

Honorable Mayor and Members of the Board of Aldermen  
Town of Kernersville, NC

## ***Report on Compliance for the Major State Program***

We have audited Town of Kernersville, North Carolina's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2021. The Town of Kernersville's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

## ***Management's Responsibility***

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its state program.

## ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance of the Town of Kernersville's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the Audit Manual for Governmental Auditors in North Carolina and the State Single Audit Implementation Act. Those standards, applicable sections of the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Kernersville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major state program. However, our audit does not provide a legal determination on the Town of Kernersville's compliance.



### ***Opinion on the Major State Program***

In our opinion, the Town of Kernersville complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended June 30, 2021.

### ***Report on Internal Control over Compliance***

Management of the Town of Kernersville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kernersville's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kernersville's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on applicable sections of Uniform Guidance and the State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

*Dixon Hughes Goodman LLP*

High Point, NC  
October 29, 2021

## Schedule of Findings and Questioned Costs

### 1. Summary of Auditors' Results

#### Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   X   No

#### State Awards

Internal control over major state programs:

- Material weaknesses identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to state award \_\_\_\_\_ Yes   X   No

Type of auditors' report issued on compliance for major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

\_\_\_\_\_ Yes   X   No

Identification of major state program:

Powell Bill

### 2. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2020.

### 3. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2020.

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## Summary Schedule of Prior Year Audit Findings

There were no prior year audit findings.



Town of Kernersville, North Carolina  
Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

Schedule 18  
(2 pages)

Grantor/Program Title	Federal CFDA Number	Grant Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
<b>Federal grants:</b>					
<u>U.S. Department of Justice:</u>					
Direct programs:					
Bullet-Proof Vest Partnership	16.607		\$ 2,739	\$ -	\$ 48,800
Federal Asset Forfeiture Funds	16.922	NC0-340100	110,581	-	-
Organized Crime Drug Enforcement Task Forces	16.000	SI-SE-004-15 & SI-NCM-0136H	7,477	-	-
FBI Joint Terror Task Force		533.28 & CFR 0.85	9,432	-	-
Passed through the N.C. Department of Public Safety Governor's Crime Comission: School Safety Radios	16.738	PROJ013771	-	-	16,208
Total U.S. Department of Justice			130,229	-	65,008
<u>U.S. Department of Homeland Security:</u>					
Direct programs:					
Immigration Customs Enforcement	21.016		1,268	-	-
<u>U.S. Department of Treasury</u>					
Passed through Forsyth County Coronavirus Relief Fund	21.019	02-34-02	277,203	-	277,203
<u>U.S. Department of Transportation:</u>					
Passed through the N.C. Department of Transportation: N.C. Governor's Highway Safety Program:					
Governor's Highway Safety Program		200028459	14,729	-	-
DWI Grant	20.600	2000003126	13,534	-	-
Passed through the City of Winston-Salem MPO: Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310)	20.513	2000002523	6,498	-	28,968
Total U.S. Department of Transportation			34,761	-	28,968
<b>Total assistance - federal programs</b>			443,461	-	371,179

Town of Kernersville, North Carolina  
Schedule of Expenditures of Federal and State Awards  
Year Ended June 30, 2021

Schedule 18  
(2 pages)

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
<b>State grants:</b>					
<u>N.C. Department of Public Safety</u>					
Direct programs:					
Division of Emergency Management:					
State FEMA Equipment Grant		EMW-2017-FO-06576	\$ 25,455	\$ -	\$ 27,980
Tropical Storm Michael		FEMA-4412-DR-NC	35,898	11,966	
Total N.C. Department of Public Safety			61,353	11,966	27,980
<u>N.C. Department of Commerce</u>					
Direct programs:					
IDF Utility Fund		U-511	-	-	63,275
<u>N.C. Department of Transportation</u>					
Direct programs:					
Powell Bill		2000026710	-	633,845	-
<b>Total assistance - State programs</b>			61,353	645,811	91,255
<b>Total assistance</b>			\$ 504,814	\$ 645,811	\$ 462,434

## Notes to Schedule of Expenditures of Federal and State Awards

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Kernersville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

### 2. Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Kernersville has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.