

**TOWN OF SILER CITY
NORTH CAROLINA**

Financial Statements and
Supplementary Information

For the Year Ended June 30, 2021

Governing Board

Cindy Bray, Mayor Pro Tem
Curtis Brown
Tony Siler
Bill Haiges
Norma Boone
Thomas K. Price, III
Lewis Fadely

Town Officials

Roy Lynch, Town Manager
Jenifer K. Johnson, Town Clerk
Tina Stroupe, Finance Director

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FINANCIAL SECTION



SHARPE
PATEL CPA

Independent Auditors' Report

To the Honorable Mayor
and Town Commissioners
Town of Siler City
Siler City, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Siler City, 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 controls 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Town of Siler City ABC Board, which represents 100 percent of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Town of Siler City ABC Board, is based solely on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Town of Siler City ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Siler City, North Carolina 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 accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's discussion and Analysis on pages 4 through 11 Report, Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 56 through 57, and the Law Enforcement's Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 58 through 59 and the Other Postemployment Benefits Schedule of Changes in the Total OPEB Liability and Related Ratios on page 60, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Siler City, North Carolina. The combining and individual nonmajor fund statements, budgetary schedules, and other schedules are presented for additional analysis and are a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 15, 2023 on our consideration of the Town of Siler City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Siler City's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina
November 15, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Siler City (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town 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

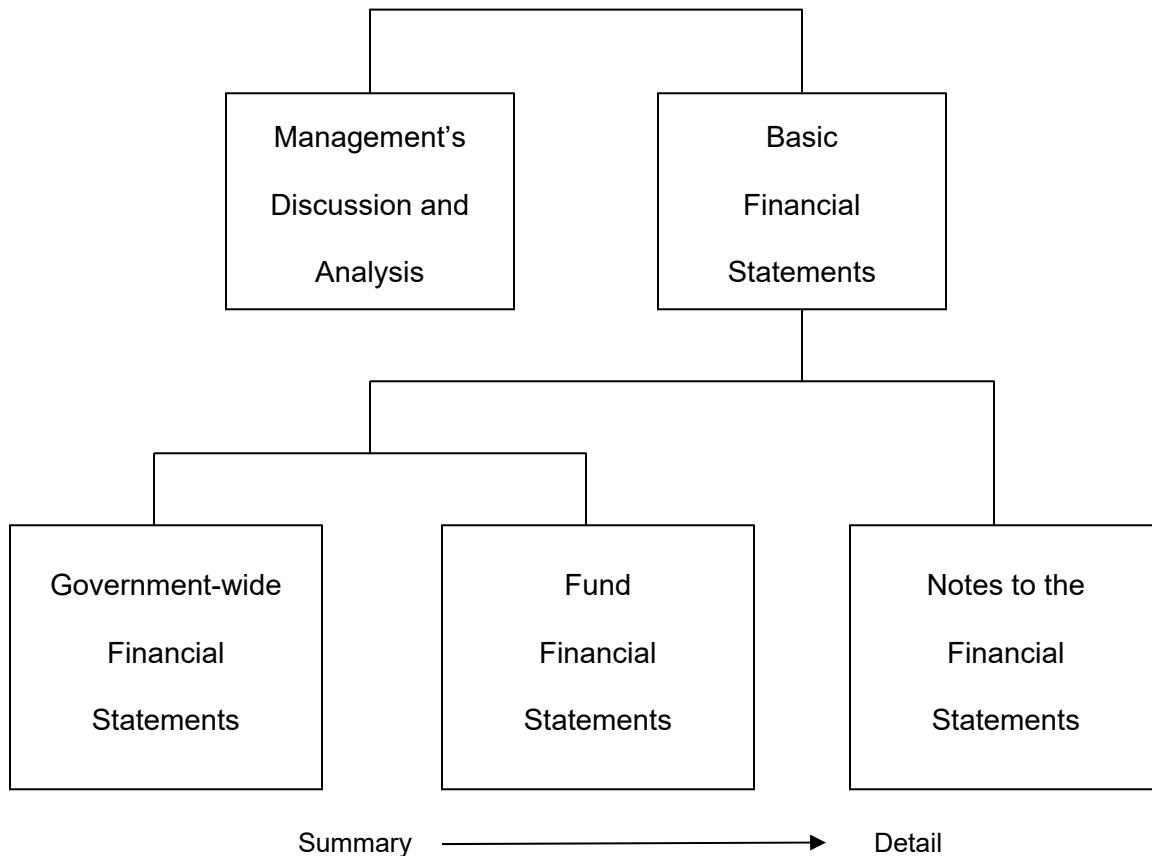
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$48,581,817 (*net position*).
- The government's total net position increased by \$4,272,604 which was the overall outcome as a result of the governmental activities' change in net position of \$1,654,678 plus the business-type activities' change in net position of \$2,617,926. Unrestricted intergovernmental revenues continue to grow with an increase of \$518,375 over the prior year. Property tax revenue reflected an increase of \$412,217. In the proprietary funds, charges for services exceeded total expenditures by \$2,549,790.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,715,630, an increase of \$1,361,477 in comparison with the prior year. Approximately 72.2 percent of the total fund balance, or \$5,573,614, is available for spending at the government's discretion (*unassigned fund balance*).
- The unassigned fund balance for the General Fund, \$5,573,614 represents 75.16 percent of total general fund expenditures for the fiscal year.
- The Town's total long-term liabilities increased by \$1,178,502 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town'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.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: (1) the governmental fund statements, (2) the budgetary comparison statements, and (3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities and (3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal revenues finance most of these activities. The business-type activities are those that the Town charges customers a fee to provide. These include the water and sewer and license plate agency services offered by the Town. The final category is the component unit. Although legally separate from the Town, the Siler City ABC Board is important to the Town. The Town exercises control over the Board by appointing its members and the Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (Exhibit 3 through Exhibit 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, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

The Town 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/variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Town of Siler City, North Carolina Management's Discussion and Analysis

Proprietary Funds - The Town only has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activities and license plate agency. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 55 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 56 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 government and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

**Town of Siler City's Net Position
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 8,740,501	\$ 6,840,622	\$ 9,196,525	\$ 7,124,140	\$ 13,259,996	\$ 13,964,762
Capital assets	13,701,911	13,556,403	29,438,768	29,693,114	43,140,679	43,249,517
Deferred outflows of resources	1,146,348	583,739	545,751	315,368	1,692,099	899,107
Total assets and deferred outflows of resources	23,588,760	20,980,764	39,181,044	37,132,622	62,769,804	58,113,386
Long-term liabilities outstanding	3,757,383	3,534,316	8,997,863	8,995,266	11,351,080	12,529,582
Other liabilities	1,161,513	374,830	1,404,166	579,727	2,565,679	954,557
Deferred inflows of resources	199,799	256,231	71,429	63,803	271,228	320,034
Total liabilities and deferred inflows of resources	5,118,695	4,165,377	9,069,292	9,638,796	14,187,987	13,804,173
Net position:						
Net investment in capital assets	12,941,671	12,543,897	22,283,775	21,580,473	35,225,446	34,124,370
Restricted	1,729,163	1,886,034	-	-	1,729,163	1,886,034
Unrestricted	3,799,231	2,385,456	7,827,977	5,913,353	11,627,208	8,298,809
Total net position, ending	\$ 18,470,065	\$ 16,815,387	\$ 30,111,752	\$ 27,493,826	\$ 48,581,817	\$ 44,309,213

Town of Siler City, North Carolina Management's Discussion and Analysis

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$48,581,817 as of June 30, 2021. The Town's net position increased by \$4,272,604 for the fiscal year ended June 30, 2021. The largest portion (72.51%) reflects the Town's 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 its 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, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$1,729,163, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,627,208 is unrestricted.

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

Ongoing debt service obligations in both major funds of the Town negatively affect the total unrestricted government net position. However, several particular aspects of the Town's financial operations positively affected the total unrestricted governmental net position:

- Effective analysis of budgeted expenditures on a monthly basis to ensure a sound financial condition.
- Additional measures taken to evaluate purchasing and spending practices while providing the same level of service.

Town of Siler City's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 723,060	\$ 724,347	\$ 8,615,976	\$ 8,624,761	\$ 9,339,036	\$ 9,349,108
Operating grants and contributions	1,225,876	794,857	-	-	1,225,876	794,857
Capital grants and contributions	226,521	676,905	1,049,861	2,235,730	1,276,382	2,912,635
General revenues:						
Property taxes	3,204,654	2,856,231	-	-	3,204,654	2,856,231
Other taxes	1,403	1,772	-	-	1,403	1,772
Unrestricted						
Intergovernmental	3,639,196	3,120,821	-	-	3,639,196	3,120,821
Other	211,809	225,736	816	15,198	212,625	240,934
Total revenues	<u>9,232,519</u>	<u>8,400,669</u>	<u>9,666,653</u>	<u>10,875,689</u>	<u>18,899,172</u>	<u>19,276,358</u>
Expenses:						
General government	1,736,377	1,791,719	-	-	1,736,377	1,791,719
Public safety	1,993,856	2,804,777	-	-	1,993,856	2,804,777
Transportation	559,716	1,299,551	-	-	559,716	1,299,551
Environmental protection	135,325	587,615	-	-	135,325	587,615
Economic development	304,197	189,496	-	-	304,197	189,496
Cultural and recreational	585,612	763,126	-	-	585,612	763,126
Interest on long-term debt	87,301	-	-	-	87,301	-
Water and sewer	-	-	6,900,361	6,385,904	6,900,361	6,385,904
License plate agency	-	-	216,502	151,035	216,502	151,035
Total expenses	<u>5,402,384</u>	<u>7,436,284</u>	<u>7,048,727</u>	<u>6,536,939</u>	<u>14,626,568</u>	<u>13,973,223</u>

Town of Siler City, North Carolina
Management's Discussion and Analysis

Town of Siler City's Changes in Net Position
Figure 3 (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Increase in net position before transfers	\$ 1,654,678	\$ 964,385	\$ 2,617,926	\$ 4,338,750	\$ 4,272,604	\$ 5,303,135
Transfers	-	-	-	-	-	-
Increase in net position	1,654,678	964,385	2,617,926	4,338,750	4,272,604	5,303,135
Net position, beginning	16,815,387	15,851,002	27,493,826	23,155,076	44,309,213	39,006,078
Net position, end of year	\$ 18,470,065	\$ 16,815,387	\$ 30,111,752	\$ 27,493,826	\$ 48,581,817	\$ 44,309,213

Governmental activities. Governmental activities increased the Town's net position by \$1,654,678. The business-type activities showed an increase of \$2,617,926. The increase in governmental activities net position compared to the prior year in both types of activities was due to managements' decision to effectively operate within the constraints of the current year's budget.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,573,614 while total fund balance was \$7,319,997. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 75.16% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$7,715,630, a 21.43% increase over last year.

General Fund Budgetary Highlights. During the fiscal year, the Town made revisions on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants, and (3) increases in appropriations that become necessary to maintain services.

The Town increased final budgeted revenues from the original budget by \$680,045 and expenditures from the original budget by \$782,858. Fund balance appropriated was increased by \$263,273 to account for expected transfers by the General Fund for the Town Hall project and various other capital projects.

Town of Siler City, North Carolina
Management's Discussion and Analysis

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the combined Water and Sewer and License Plate Agency Fund at the end of the fiscal year amounted to \$7,827,977. There was a total increase in net position for the combined funds of \$1,914,624. Other factors concerning the finances of the fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$43,098,922 (net of accumulated depreciation). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year included renovations to the library, water treatment plant, wastewater treatment plant, plus continued improvements to Siler City Municipal Airport and other facilities. In addition, there replacement of fleet vehicles and general equipment upgrades.

Town of Siler City's Capital Assets
Figure 4
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 779,838	\$ 779,838	\$ 4,934,473	\$ 4,934,473	\$ 5,714,311	\$ 5,714,311
Construction in process	8,173,585	7,675,057	6,716,002	6,293,480	14,889,587	13,968,537
Buildings and systems	752,476	873,697	1,683,114	1,785,082	2,435,590	2,658,779
Improvements other than buildings	1,257,554	1,303,045	15,024,029	15,790,208	16,281,583	17,093,253
Machinery and equipment	1,618,023	1,709,985	1,081,150	889,871	2,657,416	2,599,856
Infrastructure	234,439	252,119	-	-	234,439	252,119
Vehicles and motorized equipment	885,996	962,662	-	-	885,996	962,662
Total	\$ 13,701,911	\$ 13,556,403	\$ 29,438,768	\$ 29,693,114	\$ 43,098,922	\$ 43,249,517

Additional information on the Town's capital assets can be found in Note 3.A.4 of the Basic Financial Statements.

Long-Term Debt. As of June 30, 2021, the Town had total outstanding debt, exclusive of compensated absences, pension liabilities and other post-employment benefit liabilities of \$7,915,233. Of this debt, \$7,115,000 is backed by the full faith and credit of the Town. The remainder of the Town's debt represents installment purchase obligations and capital leases secured by property.

Town of Siler City's Outstanding Debt
Figure 5

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes	\$ -	\$ -	\$ 7,115,000	\$ 8,036,675	\$ 7,115,000	\$ 8,036,675
Capitalized leases	229,135	384,464	39,993	75,966	269,128	460,430
Installment purchases	531,105	628,042	-	-	531,105	628,042
Total	\$ 760,240	\$ 1,012,506	\$ 7,154,993	\$ 8,112,641	\$ 7,915,233	\$ 9,125,147

The Town's total debt decreased by \$1,209,914 (13.26%) during the past fiscal year primarily due to two loan payments for the reservoir expansion project totaling \$921,675. The Town's total debt payments for the year were \$1,254,406, exclusive of interest.

Town of Siler City, North Carolina Management's Discussion and Analysis

North Carolina's general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$47,373,663. The Town has no bonds authorized and issued at June 30, 2021.

Additional information regarding the Town's long-term debt can be found in Note 3.B.4 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

The budget for fiscal year 2021/2022 reflects modest growth in an environment of continued economic challenges within the local economy. The budget offers critical analysis to ensure expenditures are maintained as low as practical without compromising continuity and quality of the services provided by the Town and the level of safety by which these services are offered.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Government Activities: Property tax rates remain at \$0.54 per \$100 of valuation with the adoption of the fiscal year 2021/2022 Budget Ordinance. Ad valorem tax revenues are anticipated to account for 45.22 percent of General Fund revenues. Other major revenue streams for the Town's General Fund include local option sales tax and other shared tax revenues. These revenues are projected to bring in \$3,318,827 or 39.13 percent of total General Fund revenues. Budgeting practices by the Mayor and the Town Board have afforded the Town an opportunity to fund its needs based on the current tax rate adopted.

Business-Type Activities: The operating revenues in the Enterprise Fund are generated primarily through the Town's sale of water and sewer utilities. Revenues are projected to be \$8,455,077 for the fiscal year 2021/2022 budget. This represents an increase of \$712,827 or a 9.21 percent increase from the previous year due to the monthly fees assessed. Water and sewer fees represent 95.34 percent of the revenues in the Enterprise Fund. The rates for water and sewer were maintained in this budget year. Water and sewer usage projections are anticipated to generate the needed revenue within this Fund to reduce reliance on Fund Balance for debt service obligations, capital investments, and operation and maintenance expenses while providing the same level of service.

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 Hank Raper, Town Manager, Town of Siler City, Post Office Box 769, Siler City, North Carolina 27344, 919-726-4803, Email: hraper@silercity.org. The Town of Siler City ABC Board issues separate financial statements. Requests for additional information should be directed to Nancy Gooch, Store Manager, Town of Siler City ABC Board, 1404 East 11th Street, Siler City, North Carolina 27344.

BASIC FINANCIAL STATEMENTS

TOWN OF SILER CITY, NORTH CAROLINA
Statement of Net Position
June 30, 2021

Exhibit 1

	Primary Government			Town of Siler City ABC Board
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 6,745,307	\$ 6,514,689	\$ 13,259,996	\$ 661,637
Taxes receivables (net)	41,883	-	41,883	-
Accounts receivable	70,960	1,266,680	1,337,640	-
Due from other governments	1,148,808	1,156,844	2,305,652	-
Inventories	27,215	-	27,215	151,717
Restricted cash	706,328	258,312	964,640	-
Total current assets	8,740,501	9,196,525	17,937,026	813,354
Non-current assets:				
Capital assets:				
Land, non-depreciable improvements and construction in progress	8,953,423	11,653,763	20,607,186	201,385
Other capital assets, net of depreciation	4,748,488	17,785,005	22,533,493	122,951
Total capital assets	13,701,911	29,438,768	43,140,679	324,336
Total assets	22,442,412	38,635,293	61,077,705	1,137,690
DEFERRED OUTFLOWS OF RESOURCES				
Pension deferrals	978,555	450,363	1,428,918	31,291
OPEB deferrals	167,793	95,388	263,181	358,569
Total deferred outflows of resources	1,146,348	545,751	1,692,099	31,291
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	890,720	88,410	979,130	159,165
Accrued interest payable	29,841	100,585	130,426	-
Unearned revenue	35,904	-	35,904	-
Due to primary government	-	-	-	59,726
Payable from restricted assets	-	258,312	258,312	-
Current portion of long-term liabilities	205,048	956,859	1,161,907	-
Total current liabilities	1,161,513	1,404,166	2,565,679	218,891
Long-term liabilities:				
Net pension liability - LGERS	1,219,948	731,857	1,951,805	43,596
Total pension liability - LEO	819,062	-	819,062	-
Total OPEB liability	917,867	550,636	1,468,503	-
Due in more than one year	800,506	6,311,204	7,111,710	-
Total liabilities	4,918,896	8,997,863	13,916,759	262,487
DEFERRED INFLOWS OF RESOURCES				
Pension deferrals	95,250	8,709	103,959	79
OPEB Deferrals	104,549	62,720	167,269	-
Total deferred inflows of resources	199,799	71,429	271,228	79
NET POSITION				
Net investment in capital assets	12,941,671	22,283,775	35,225,446	324,336
Restricted for:				
Stabilization by State Statue	1,022,835	-	1,022,835	-
Streets - Powell Bill	706,328	-	706,328	-
Other purposes	-	-	-	67,170
Unrestricted	3,799,231	7,827,977	11,627,208	514,909
Total net position	\$ 18,470,065	\$ 30,111,752	\$ 48,581,817	\$ 906,415

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

TOWN OF SILER CITY, NORTH CAROLINA
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Town of Siler City ABC Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	1,789,803	53,426	\$ -	\$ -	\$ (1,736,377)	\$ -	\$ (1,736,377)	\$ -
Public safety	3,086,091	76,050	1,016,185	-	(1,993,856)	-	(1,993,856)	-
Transportation	975,036	-	209,691	205,629	(559,716)	-	(559,716)	-
Environmental protection	678,809	523,788	-	19,696	(135,325)	-	(135,325)	-
Economic and physical development	304,197	-	-	-	(304,197)	-	(304,197)	-
Cultural and recreation	656,604	69,796	-	1,196	(585,612)	-	(585,612)	-
Interest on long-term debt	87,301	-	-	-	(87,301)	-	(87,301)	-
Total governmental activities	<u>7,577,841</u>	<u>723,060</u>	<u>1,225,876</u>	<u>226,521</u>	<u>(5,402,384)</u>	<u>-</u>	<u>(5,402,384)</u>	<u>-</u>
Business-type activities:								
Water and sewer	6,900,361	8,399,474	-	1,049,861	-	2,548,974	2,548,974	-
License plate agency	148,366	216,502	-	-	-	68,136	68,136	-
Total business-type activities	<u>7,048,727</u>	<u>8,615,976</u>	<u>-</u>	<u>1,049,861</u>	<u>-</u>	<u>2,617,110</u>	<u>2,617,110</u>	<u>-</u>
Total primary government	<u>\$ 14,626,568</u>	<u>\$ 9,339,036</u>	<u>\$ 1,225,876</u>	<u>\$ 1,276,382</u>	<u>(5,402,384)</u>	<u>2,617,110</u>	<u>(2,785,274)</u>	<u>-</u>
Component unit:								
Town of Siler City ABC Board	<u>\$ 2,155,386</u>	<u>\$ 2,253,731</u>	<u>\$ -</u>	<u>\$ 1,049,861</u>				<u>98,345</u>
General revenues:								
Taxes:								
Property taxes, levied for general purpose					3,204,654	-	3,204,654	-
Other taxes					1,403	-	1,403	-
Unrestricted intergovernmental					3,639,196	-	3,639,196	-
Unrestricted investment earnings					(989)	816	(173)	276
Miscellaneous					185,766	-	185,766	-
Insurance recovery					27,032	-	27,032	-
Transfers					-	-	-	-
Total general revenues and transfers					<u>7,057,062</u>	<u>816</u>	<u>7,057,878</u>	<u>276</u>
Change in net position					1,654,678	2,617,926	4,272,604	98,621
Total net position, beginning					<u>16,815,387</u>	<u>27,493,826</u>	<u>44,309,213</u>	<u>807,794</u>
Total net position, ending					<u>\$ 18,470,065</u>	<u>\$ 30,111,752</u>	<u>\$ 48,581,817</u>	<u>\$ 906,415</u>

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

TOWN OF SILER CITY, NORTH CAROLINA

Exhibit 3

Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Fund</u>	<u>Total Non-</u>	<u>Total</u>
	<u>General</u>	<u>Major</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 6,296,219	\$ 449,088	\$ 6,745,307
Restricted cash	706,328	-	706,328
Taxes receivable - net	41,883	-	41,883
Accounts receivable, net	70,960	-	70,960
Due from other governments	1,026,141	62,941	1,089,082
Due from component unit	59,726	-	59,726
Inventories	27,215	-	27,215
Total assets	<u>\$ 8,228,472</u>	<u>\$ 512,029</u>	<u>\$ 8,740,501</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 830,688	\$ 60,032	\$ 890,720
Unearned revenue	1,156	-	1,156
Total liabilities	<u>831,844</u>	<u>60,032</u>	<u>891,876</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes receivable	41,883	-	41,883
Unavailable revenue	-	56,364	56,364
Prepaid taxes	3,136	-	3,136
Prepaid other	31,612	-	31,612
Total deferred inflows of resources	<u>76,631</u>	<u>56,364</u>	<u>132,995</u>
FUND BALANCES			
Nonspendable			
Inventories and prepaids	27,215	-	27,215
Restricted			
Stabilization by State Statute	1,012,840	9,995	1,022,835
Streets - Powell Bill	706,328	-	706,328
Committed			
Capital projects	-	156,452	156,452
Assigned			
Transportation	-	(155,307)	(155,307)
Economic and physical development	-	(15,529)	(15,529)
General government	-	418,834	418,834
Cultural and recreational	-	(18,812)	(18,812)
Subsequent year's expenditures	-	-	-
Unassigned	5,573,614	-	5,573,614
Total fund balances	<u>7,319,997</u>	<u>395,633</u>	<u>7,715,630</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,228,472</u>	<u>\$ 512,029</u>	<u>\$ 8,740,501</u>

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

TOWN OF SILER CITY, NORTH CAROLINA
Balance Sheet (Continued)
Governmental Funds
June 30, 2021

Exhibit 3

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

Total Fund Balance, Governmental Funds		\$ 7,715,630
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	25,008,535	
Accumulated depreciation	<u>(11,306,624)</u>	13,701,911
Deferred outflows of resources related to pensions and OPEB are not reported in the funds		1,146,348
Liabilities for earned revenues considered deferred inflows of resources in fund statements.		98,247
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Long-term debt included as net position below (includes the addition of long-term debt and principal payments during the year).	(1,005,554)	
Net pension liability	(1,219,948)	
Total pension liability	(819,062)	
OPEB liability	<u>(917,867)</u>	(3,962,431)
Other long-term liabilities (accrued interest) are not due and payable in the current period and, therefore, not reported in the funds		(29,841)
Deferred inflows of resources related to pensions and OPEB are not reported in the funds		<u>(199,799)</u>
Net position of governmental activities		<u><u>\$ 18,470,065</u></u>

The accompanying notes to the financial statements are an integral part of these statements

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

Exhibit 4

	<u>Major Fund</u>		<u>Total</u>
	<u>General Fund</u>	<u>Total Non-</u>	<u>Governmental</u>
		<u>Major Funds</u>	<u>Funds</u>
REVENUES			
Ad valorem taxes	\$ 3,247,887	\$ -	\$ 3,247,887
Other taxes and licenses	1,403	-	1,403
Unrestricted intergovernmental	3,639,196	-	3,639,196
Restricted intergovernmental	1,225,876	226,521	1,452,397
Permits and fees	68,824	-	68,824
Sales and services	654,236	-	654,236
Investment earnings	-	229	229
Miscellaneous	184,548	-	184,548
Total revenues	<u>9,021,970</u>	<u>226,750</u>	<u>9,248,720</u>
EXPENDITURES			
Current:			
General government	1,921,537	63,225	1,984,762
Public safety	2,750,927	-	2,750,927
Transportation	862,700	398,263	1,260,963
Environmental protection	678,809	18,518	697,327
Economic and physical development	304,197	15,529	319,726
Cultural and recreational	558,012	2,991	561,003
Debt service:			
Principal retirement	296,758	-	296,758
Interest and fees	42,809	-	42,809
Total expenditures	<u>7,415,749</u>	<u>498,526</u>	<u>7,914,275</u>
Excess (deficiency) of revenues over expenditures	<u>1,606,221</u>	<u>(271,776)</u>	<u>1,334,445</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Insurance proceeds	27,032	-	27,032
Total other financing sources (uses)	<u>27,032</u>	<u>-</u>	<u>27,032</u>
Net change in fund balance	1,633,253	(271,776)	1,361,477
Fund balances, beginning	<u>5,686,744</u>	<u>667,409</u>	<u>6,354,153</u>
Fund balances, ending	<u>\$ 7,319,997</u>	<u>\$ 395,633</u>	<u>\$ 7,715,630</u>

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

TOWN OF SILER CITY, NORTH CAROLINA
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 4

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

Net changes in fund balances- total governmental funds	\$ 1,361,477
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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	\$ 717,693	
Depreciation expense for governmental assets	(572,183)	145,510

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	250,635
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Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities	65,155
--	--------

OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities	143,528
--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in unavailable revenue for tax revenues	(43,233)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Payments on capital lease obligations	155,329	
Principal payments on long-term debt	96,937	252,266

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.

Pension expense	(457,350)	
OPEB expense	(63,310)	(520,660)

Total changes in net position of governmental activities	\$ 1,654,678
The accompanying notes to the financial statements are an integral part of these statements.	

TOWN OF SILER CITY, NORTH CAROLINA

Exhibit 5

General Fund

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Budget		Actual Amounts	
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,949,050	\$ 2,949,050	\$ 3,247,887	\$ 298,837
Other taxes and licenses	1,450	1,450	1,403	(47)
Unrestricted intergovernmental	3,006,205	3,304,705	3,639,196	334,491
Restricted intergovernmental	770,350	1,151,895	1,225,876	73,981
Permits and fees	58,935	58,935	68,824	9,889
Sales and services	612,375	612,375	654,236	41,861
Investment earnings	72,000	72,000	-	(72,000)
Miscellaneous	9,000	9,000	184,548	175,548
Total revenues	7,479,365	8,159,410	9,021,970	862,560
Expenditures:				
Current:				
General government	1,987,892	2,298,521	1,921,537	376,984
Public safety	2,669,452	2,982,962	2,750,927	232,035
Transportation	1,200,400	1,259,094	862,700	396,394
Environmental protection	627,559	646,559	678,809	(32,250)
Economic and physical development	317,675	340,455	304,197	36,258
Cultural and recreational	651,277	703,922	558,012	145,910
Debt service	375,356	380,956	339,567	41,389
Total expenditures	7,829,611	8,612,469	7,415,749	1,196,720
Revenues over (under) expenditures	(350,246)	(453,059)	1,606,221	2,059,280
Other financing sources (uses):				
Transfers to other funds	(17,000)	(200,105)	-	200,105
Insurance proceeds	-	22,645	27,032	4,387
Fund balance appropriated	367,246	630,519	-	(630,519)
Total other financing sources (uses)	350,246	453,059	27,032	(426,027)
Net change in fund balance	\$ -	\$ -	1,633,253	\$ 1,633,253
Fund balance, beginning			5,686,744	
Fund balance, ending			\$ 7,319,997	

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

TOWN OF SILER CITY, NORTH CAROLINA

Exhibit 6

Statement of Net Position

Proprietary Funds

June 30, 2021

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Non-Major</u> <u>License</u> <u>Plate Agency</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 6,265,382	\$ 249,307	\$ 6,514,689
Accounts receivable (net) - billed	897,819	-	897,819
Accounts receivable (net) - unbilled	363,887	-	363,887
Accounts receivable - miscellaneous	4,974	-	4,974
Due from other governments	1,156,844	-	1,156,844
Due from other funds	-	-	-
Restricted cash and cash equivalents	258,312	-	258,312
Total current assets	<u>8,947,218</u>	<u>249,307</u>	<u>9,196,525</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	11,653,763	-	11,653,763
Other capital assets, net of depreciation	17,769,927	15,078	17,785,005
Total capital assets	<u>29,423,690</u>	<u>15,078</u>	<u>29,438,768</u>
Total noncurrent assets	<u>29,423,690</u>	<u>15,078</u>	<u>29,438,768</u>
Total assets	<u>38,370,908</u>	<u>264,385</u>	<u>38,635,293</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	426,772	23,591	450,363
OPEB deferrals	95,388	-	95,388
	<u>522,160</u>	<u>23,591</u>	<u>545,751</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	84,476	3,934	88,410
Retainage payable	-	-	-
Accrued interest	100,585	-	100,585
Due to other funds	-	-	-
Customer deposits/overpayments	258,312	-	258,312
Compensated absences, current	-	-	-
Current portion of long-term debt	956,859	-	956,859
Total current liabilities	<u>1,400,232</u>	<u>3,934</u>	<u>1,404,166</u>
Noncurrent liabilities:			
Net pension liability - LGERS	693,521	38,336	731,857
Compensated absences, noncurrent	109,058	4,012	113,070
Total OPEB liability	521,793	28,843	550,636
Noncurrent portion of long-term debt	6,198,134	-	6,198,134
Total noncurrent liabilities	<u>7,522,506</u>	<u>71,191</u>	<u>7,593,697</u>
Total liabilities	<u>8,922,738</u>	<u>75,125</u>	<u>8,997,863</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8,253	456	8,709
OPEB deferrals	59,435	3,285	62,720
	<u>67,688</u>	<u>3,741</u>	<u>71,429</u>
NET POSITION			
Net investment in capital assets	22,268,697	15,078	22,283,775
Unrestricted	7,633,945	194,032	7,827,977
Total net position	<u>\$ 29,902,642</u>	<u>\$ 209,110</u>	<u>\$ 30,111,752</u>

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

TOWN OF SILER CITY, NORTH CAROLINA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 7

	<u>Major</u>	<u>Non-Major</u>	
	<u>Water and Sewer Fund</u>	<u>License Plate Agency</u>	<u>Total</u>
OPERATING REVENUES			
Water charges	\$ 4,209,922	\$ -	\$ 4,209,922
Sewer charges	4,012,232	-	4,012,232
Water and sewer taps	7,652	-	7,652
Reconnection fees	88,065	-	88,065
Water meter installation	12,054	-	12,054
License plate agency fees	-	175,418	175,418
Notary fees	-	37,614	37,614
Other operating revenues	69,549	3,470	73,019
Total operating revenues	<u>8,399,474</u>	<u>216,502</u>	<u>8,615,976</u>
OPERATING EXPENSES			
Administration	917,205	-	917,205
Water operations	1,612,749	-	1,612,749
Sewer operations	1,994,727	-	1,994,727
Water and sewer maintenance	572,959	-	572,959
License plate agency	-	147,167	147,167
Risk management	564,652	-	564,652
Depreciation	1,021,569	1,199	1,022,768
Total operating expenses	<u>6,683,861</u>	<u>148,366</u>	<u>6,832,227</u>
Operating income (loss)	<u>1,715,613</u>	<u>68,136</u>	<u>1,783,749</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	1,049,861	-	1,049,861
Interest earned on investments	816	-	816
Interest and other charges	(216,500)	-	(216,500)
Total nonoperating revenues (expenses)	<u>834,177</u>	<u>-</u>	<u>834,177</u>
Income (loss) before contributions and transfers	2,549,790	68,136	2,617,926
Capital contributions	-	-	-
Transfer to other funds	-	-	-
Change in net position	2,549,790	68,136	2,617,926
Total net position, beginning	27,352,852	140,974	27,493,826
Total net position, ending	<u>\$ 29,902,642</u>	<u>\$ 209,110</u>	<u>\$ 30,111,752</u>

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

TOWN OF SILER CITY, NORTH CAROLINA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 8

	<u>Major</u> <u>Water and</u> <u>Sewer Fund</u>	<u>Non-Major</u> <u>License Plate</u> <u>Agency</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 8,358,495	\$ 216,502	\$ 8,574,997
Cash paid for goods and services	(3,760,814)	(11,202)	(3,772,016)
Cash paid to or on behalf of employees for services	(1,742,433)	(121,401)	(1,863,834)
Customer deposits (returned) received	(15,651)	-	(15,651)
Net cash provided (used) by operating activities	<u>2,839,597</u>	<u>83,899</u>	<u>2,923,496</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt issued	-	-	-
Principal paid on long-term debt	(957,648)	-	(957,648)
Interest paid on long-term debt	(216,500)	-	(216,500)
Capital grants	1,049,861	-	1,049,861
Acquisition and construction of capital assets	(768,422)	-	(768,422)
Net cash provided (used) by capital and related financing activities	<u>(892,709)</u>	<u>-</u>	<u>(892,709)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	816	-	816
Net cash provided (used) by investing activities	<u>816</u>	<u>-</u>	<u>816</u>
Net increase (decrease) in cash and cash equivalents	1,947,704	83,702	2,031,406
Balances, beginning	4,575,990	165,605	4,741,595
Balances, ending	<u>\$ 6,523,694</u>	<u>\$ 249,307</u>	<u>\$ 6,773,001</u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating income	\$ 1,715,613	\$ 68,136	\$ 1,783,749
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,021,569	1,199	1,022,768
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	(44,455)	-	(44,455)
Increase in due from other governments	-	-	-
Decrease in due from other funds	3,476	-	3,476
Increase in net pension liability	274,055	11,096	285,151
Decrease in accounts payable and accrued liabilities	(112,398)	(4,174)	(116,572)
Decrease in customer deposits	(15,651)	-	(15,651)
(Increase) decrease in deferred outflows of resources	(224,367)	(6,016)	(230,383)
Increase in deferred inflows of resources	7,200	426	7,626
Decrease in other postemployment benefits	216,124	12,755	228,879
Total adjustments	<u>1,123,984</u>	<u>15,763</u>	<u>1,139,747</u>
Net cash provided (used) by operating activities	<u>\$ 2,839,597</u>	<u>\$ 83,899</u>	<u>\$ 2,923,496</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Siler City (“the Town”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a seven-member council. The Town provides services which include general government, public safety, streets, sanitation, zoning and recreation. The Town maintains a water and sewer system which supplies services to the Town and surrounding area on a user-charge basis and a NC License Plate Agency which charges for services based on a schedule of fees set by North Carolina Department of Motor Vehicles.

As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town’s financial statements in order to emphasize that it is legally separate from the Town.

Town of Siler City Board of Alcoholic Beverage Control (“ABC Board”)

The members of the ABC Board’s governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses, if any, to the General Fund of the Town. The ABC Board, which has a June 30 year end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity’s administrative offices at the Town of Siler City’s ABC Board, 1404 East 11th Street, Siler City, North Carolina.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government and its component unit. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, and multipurpose grants that do not provide for specific identification of a program are presented as general revenues.

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

I. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

General Fund. The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State-shared revenues, and various other taxes and licenses. The primary expenditures are for public safety, transportation, sanitation, parks and recreation, and general government services.

The Town reports the following non-major governmental funds:

Capital Projects Funds. The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Town has ten Capital Project Funds within the Governmental Fund Types which were established for cultural and recreational development, transportation, and economic and physical development. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the Capital Projects Fund.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. For financial reporting purposes, the Water and Sewer Capital Reserve Fund, Wastewater Collection System Improvements Capital Project Fund, CAM Water System Extension Capital Project Fund, Wastewater Treatment Plant Improvements Capital Project Fund, Wastewater Asset Inventory and Assessment Capital Project Fund, Water Asset Inventory and Assessment Capital Project Fund, and Waste Water Treatment Plant Nutrient Removal Phase I Capital Project Fund have been consolidated with the Water and Sewer Fund.

The Town reports the following non-major enterprise fund:

License Plate Agency Fund. This fund is used to account for the Town's license plate agency operations.

C. Measurement Focus and Basis of Accounting

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

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

I. Summary of Significant Accounting Policies (Continued)

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide and proprietary 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. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

I. Summary of Significant Accounting Policies (Continued)

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and Enterprise Funds (Water and Sewer Fund and License Plate Agency Fund) on a departmental basis. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Reserve Fund, Capital Projects Fund, and the Water and Sewer Capital Reserve Fund. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Appropriations are made at the departmental level and are amended as necessary by the governing board. The Town manager is authorized to transfer appropriations within a department. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for the multi-year funds. During the year, amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town and the ABC Board 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 generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is a bond fund, has no rating and is measured at fair value. 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 six months.

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

I. Summary of Significant Accounting Policies (Continued)

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Town and ABC Board considers all highly liquid investments (including restricted assets) with a maturity and three months or less when purchased to be cash and cash equivalents.

3. Restricted Assets

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

Governmental Activities:

General Fund:

Streets - Powell Bill	\$ 706,328
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Business-type Activities:

Water and Sewer Fund:

Customer deposits	<u>258,312</u>
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Total Restricted Cash	<u><u>\$ 964,640</u></u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

The Town provides an allowance for uncollectible taxes which it does not expect to collect based on historical collection rates of prior tax levies and an allowance for uncollectible water and sewer accounts. The Town does not experience any other material loss from other uncollectible accounts. Losses, if any, are charged to operations by the direct write-off method.

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

I. Summary of Significant Accounting Policies (Continued)

6. Inventory and Prepaid Items

The ABC Board's liquor inventory is stated at replacement cost prices per the approved list of the North Carolina State Board of Alcoholic Beverage Control. Wine inventory is carried at cost. The cost of these inventories is expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated life in excess of two years. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003 have not been recorded. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Estimated Useful Lives</u>
Infrastructure	50 years
Buildings and structures	30 years
Vehicles	6 years
Furnishings and fixtures	10 years

Property, plant and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

Building	20 years
Furniture and equipment	10 years

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

I. Summary of Significant Accounting Policies (Continued)

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 two items that meets this criterion: pension deferrals and OPEB deferrals. 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 several items that met this criterion for this category – property taxes receivable, grants receivable, pension deferrals and OPEB deferrals.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time (if any) that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

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

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are 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 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:

Nonspendable 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.

Inventories and prepaids – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid expenses, 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 – portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories and prepaid expenses, which are not spendable resources.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

Capital Projects – portion of fund balance that is to be used for capital projects for various functions of the Town.

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

I. Summary of Significant Accounting Policies (Continued)

11. Net Position/Fund Balances (Continued)

Assigned Fund Balance – portion of fund balance that the Town intends to use for specific purposes.

Environmental Protection – portion of fund balance that has been budgeted by the Board for sidewalks and Brownsfields assessments.

Economic and Physical Development – portion of fund balance that has been budgeted by the Board for the CDBG project.

Transportation – portion of fund balance that has been budgeted by the Board for airport projects.

General Government – portion of fund balance that has been budgeted by the Board for Town Hall renovations.

Cultural and Recreational – portion of fund balance that has been budgeted by the Board for parks and greenway projects.

Subsequent Year's Expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

The Town does not have a formal revenue spending policy for programs with multiple revenue sources.

The Town has not adopted a minimum fund balance policy for the general fund.

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Siler City's employer contributions are recognized when due and the Town of Siler City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

13. Use of Estimates

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

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

II. Stewardship, Compliance, and Accountability

A. Deficit in Fund Balance of Individual Funds

At June 30, 2021, the Town had deficits in the Greenway Construction, Airport Runway, Land Acquisition (White Property), Aquatic Facility, East Raleigh Street Sidewalk, and CDBG Project Capital Project Funds of \$1,795, \$9,838, \$210,375, \$42, \$513, and \$11,063, respectively. The deficits in all funds but the Aquatic Facility Capital Project Fund are due to timing only, as the respective grant revenues were not considered to be available as of June 30, 2021. The deficit in the Aquatic Facility is a result of the expenditures exceeding budgeted amounts by \$42, and the Town not transferring over funds from the General Fund to cover the Town's obligation under this project.

B. Excess of Expenditures

For the fiscal year ended June 30, 2021, the Town's General Fund environmental protection expenditures exceeded authorized appropriations by \$32,250. In addition, the Town's Water and Sewer Fund debt service expenditures exceeded authorized appropriations by \$53,914. Management and the Board will more closely review the budget reports to ensure compliance in future years and will make sure all debt payments are accounted for in the correct fund.

C. Timeliness of Audit

The audit report was issued 21 months after the required due date of October 31, 2021.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agents in these unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the ABC Board or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town or the ABC Board under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no 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. The ABC Board has no formal policy regarding custodial credit risk for deposits.

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

III. Detail Notes on All Funds (Continued)

1. Deposits (Continued)

At June 30, 2021, the Town's deposits had a carrying amount of \$2,915,054 and a bank balance of \$2,816,273. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The carrying amount of deposits for the ABC Board was \$660,037 and a bank balance of \$651,799. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the Town and ABC Board's petty cash fund totaled \$1,170 and \$1,600, respectively.

2. Investments

As of 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 6/30/2021</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	<u>\$ 11,198,781</u>	N/A	AAAm

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

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 and the ABC Board have no formal policy regarding credit risk, but have internal management procedures that limits their 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 Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 20, 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. Receivables - Allowances for Doubtful Accounts

The amount of taxes receivable presented in the Balance Sheet and the Statement of Net Position (Exhibit 1) are net of an allowance for uncollectible taxes of \$36,239. The amount of water and sewer accounts receivable presented in the Balance Sheet and Statement of Net Position (Exhibit1) are net of an allowance for uncollectible amounts of \$55,000.

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

III. Detail Notes on All Funds (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 779,838	\$ -	\$ -	\$ 779,838
Construction in progress	7,675,057	498,528	-	8,173,585
Total capital assets not being depreciated:	8,454,895	498,528	-	8,953,423
Capital assets being depreciated:				
Buildings	3,459,447	-	-	3,459,447
Other improvements	4,612,025	-	-	4,612,025
Equipment	2,893,962	122,059	711	3,015,310
Computer equipment	264,181	-	-	264,181
Vehicles and motorized equipment	3,921,389	97,106	1,689	4,016,806
Infrastructure	687,345	-	-	687,345
Total capital assets being depreciated:	15,838,349	219,165	2,400	16,055,114
Less accumulated depreciation:				
Buildings	2,585,750	121,221	-	2,706,971
Other improvements	3,308,980	45,491	-	3,354,471
Equipment	1,234,594	205,161	711	1,439,044
Computer equipment	213,564	8,860	-	222,424
Vehicles and motorized equipment	2,958,727	173,770	1,687	3,130,810
Infrastructure	435,226	17,680	-	452,906
Total accumulated depreciation	10,736,841	572,183	2,398	11,306,626
Total capital assets being depreciated, net	5,101,508			4,748,488
Governmental activities capital assets, net	\$ 13,556,403			\$ 13,701,911

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

General government	\$ 52,153
Public safety	300,814
Cultural and recreation	97,296
Transportation	121,920
	<u>\$ 572,183</u>

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

III. Detail Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 4,934,473	\$ -	\$ -	\$ 4,934,473
Construction in progress	6,293,480	422,522	-	6,716,002
Total capital assets not being depreciated:	11,227,953	422,522	-	11,650,475
Capital assets being depreciated:				
Buildings	8,131,533	61,300	-	8,192,833
Other improvements	34,689,518	-	-	34,689,518
Equipment and vehicles	2,154,613	284,600	-	2,439,213
Computer equipment	302,307	-	-	302,307
Total capital assets being depreciated:	45,277,971	345,900	-	45,623,871
Less accumulated depreciation:				
Buildings	6,362,728	162,069	-	6,524,797
Other improvements	18,899,310	766,179	-	19,665,489
Equipment and vehicles	1,513,777	91,994	-	1,605,771
Computer equipment	53,272	1,327	-	54,599
Total accumulated depreciation	26,829,087	1,021,569	-	27,850,656
Total capital assets being depreciated, net	18,448,884			17,773,215
Water and sewer fund capital assets, net	\$ 29,676,837			\$ 29,423,690
	Beginning Balance	Increases	Decreases	Ending Balance
License Plate Agency				
Capital assets being depreciated:				
Building renovations	\$ 23,982	\$ -	\$ -	\$ 23,982
Total capital assets being depreciated:	23,982	-	-	23,982
Less accumulated depreciation:				
Building renovations	7,705	1,199	-	8,904
Total accumulated depreciation	7,705	1,199	-	8,904
Total capital assets being depreciated, net	16,277			15,078
License plate agency fund capital assets, net	\$ 16,277			\$ 15,078
Business-type activities capital assets, net	\$ 29,693,114			\$ 29,438,768

The Town has several active construction projects as of June 30, 2021. As of June 30, 2021, there are no material construction commitments.

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

III. Detail Notes on All Funds (Continued)

4. Capital Assets (continued)

Discretely Presented Component Unit

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 201,385	\$ -	\$ -	\$ 201,385
Total capital assets not being depreciated:	201,385	-	-	201,385
Capital assets being depreciated:				
Buildings	344,354	-	-	344,354
Office equipment	135,130	-	-	135,130
Total capital assets being depreciated:	479,484	-	-	479,484
Less accumulated depreciation:				
Buildings	227,548	9,872	-	237,420
Office equipment	114,140	4,973	-	119,113
Total accumulated depreciation	341,688	14,845	-	356,533
Total capital assets being depreciated, net	137,796			122,951
ABC Board capital assets, net	\$ 339,181			\$ 324,336

B. Liabilities

1. Payables

Payables at June 30, 2021 were as follows:

	Salaries and Benefits	Vendors	Total
<i>Governmental activities:</i>			
General	\$ 85,251	\$ 745,437	\$ 830,688
Other governmental	-	60,033	60,033
Total governmental activities	<u>\$ 85,251</u>	<u>\$ 805,470</u>	<u>\$ 890,721</u>
<i>Business-type activities:</i>			
Water and sewer	38,662	45,826	\$ 84,488
License plate agency	2,905	1,029	3,934
Total business-type activities	<u>\$ 41,567</u>	<u>\$ 46,855</u>	<u>\$ 88,422</u>

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

III. Detail Notes on All Funds (Continued)

2. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town is a participating employer in the statewide Local Governmental Employees' Retirement System (LERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LERS 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 LERS 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LERS 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.

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

III. Detail Notes on All Funds (Continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Siler City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Siler City's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.21% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Siler City were \$401,809 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$1,951,805 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 asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.05462%, which was an increase of 0.01002% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$712,309. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 246,479	\$ -
Changes of assumptions	145,253	-
Net difference between projected and actual earnings on pension plan investments	274,665	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	132,877	23,228
Town contributions subsequent to the measurement date	401,809	-
Total	<u>\$ 1,201,083</u>	<u>\$ 23,228</u>

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

III. Detail Notes on All Funds (Continued)

\$401,809 was reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 227,013
2023	287,558
2024	180,188
2025	81,287
2026	-
	\$ 776,046

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

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

III. Detail Notes on All Funds (Continued)

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

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 asset 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 liability 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:

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 3,960,000	\$ 1,951,805	\$ 282,854

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.

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

III. Detail Notes on All Funds (Continued)

b. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Siler City 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, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	4
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	18
Total	<u>22</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	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

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

Mortality rates are based on the RP-2014 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).

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

III. Detail Notes on All Funds (Continued)

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$65,155 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 \$819,062. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$70,266.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,766	\$ 70,430
Changes of assumptions	170,069	10,302
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 227,835</u>	<u>\$ 80,732</u>

\$0 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 ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 60,465	\$ 32,586
2023	55,295	29,923
2024	47,366	18,223
2025	44,937	-
2026	19,772	-
Thereafter	-	-

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

III. Detail Notes on All Funds (Continued)

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:

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 877,408	\$ 819,062	\$ 765,654

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

	2021
Beginning Balance	\$ 596,602
Service Cost	24,771
Interest on the total pension liability	18,387
Changes of benefit terms	-
Differences between expected and actual experience	53,773
Changes of assumptions or other inputs	190,684
Benefit payments	(65,155)
Other changes	-
Ending balance of the total pension liability	<u>\$ 819,062</u>

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 experience study for the five-year period ending December 31, 2019.

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

III. Detail Notes on All Funds (Continued)

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of 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	\$ 712,309	\$ 70,266	\$ 782,575
Pension Liability	1,951,805	819,062	2,770,867
Proportionate share of the net pension liability	0.05462%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	246,479	57,766	304,245
Changes of assumptions	145,253	170,069	315,322
Net difference between projected and actual earnings on plan investments	274,665	-	274,665
Changes in proportion and differences between Town contributions and proportionate share of contributions	132,877	-	132,877
Town benefit payments and plan administrative expense made subsequent to the measurement date	401,809	-	401,809
Deferred Inflows of Resources			
Differences between expected and actual experience	-	70,430	70,430
Changes of assumptions	-	10,302	10,302
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,228	-	23,228

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the Plan. Contributions for the year ended June 30, 2021 were \$56,949, which consisted of \$42,058 from the Town and \$14,890 from the law enforcement officers.

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

III. Detail Notes on All Funds (Continued)

d. Section 401(k) Plan for General Employees

Plan Description. The Town contributes to a 401(k) Plan, a defined contribution plan administered by the Prudential Insurance Company of America. The Plan provides retirement benefits to the general employees, other than law enforcement, employed by the Town.

Funding Policy. The Town annually determines the amount of contributions. For the year ended June 30, 2021, the Town contributed five percent (5.0%) on each general employee salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$273,978, which consisted of \$145,960 from the Town and \$128,018 from the employees.

e. Other Postemployment Benefits

Death Benefits

Plan Description. The Town has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer State administered cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, 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.

Healthcare Benefits

Plan Description. Under the terms of a Town resolution, the Town provided postretirement healthcare benefits to retirees of the Town. The plan provides postemployment healthcare benefits to retirees of the Town until the age of 65, provided they participate in the North Carolina Local Governmental Employees' Retirement System and have at least five years of creditable service with the Town. The Town pays the full cost of coverage for these benefits through private insurers. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

<u>Years of Service with the Town at Retirement</u>	<u>Town Contribution to Retiree Health Insurance Premium</u>
0 to 4 years	Not eligible
5 to 9 years	0%
10 to 19 years	25%
20 to 29 years	50%
30 or more years	100%

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

III. Detail Notes on All Funds (Continued)

Membership of the HCB plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation.

	General Employees:	Law Enforcement Officers:
Retirees and dependents receiving benefits	12	2
Terminated plan members entitled to but not yet receiving benefits	0	0
Active plan members	51	22
Total	63	24

Total OPEB Liability

The Town's total OPEB liability of \$1,468,503 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.50 -7.75 percent
Discount rate	2.21 percent
Healthcare cost trend rates	7.0 percent

The discount rate is based on the Municipal Bond Index Rate equal to the June average of the Bond Buyer 20-year General Obligation Bond Index published weekly by the Bond Buyer, and the discount rate used to measure the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning Balance	\$ 1,303,117
Changes for the year	
Service Cost	58,888
Interest	43,839
Changes of benefit terms	-
Differences between expected and actual experience	121,224
Changes of assumptions or other inputs	162,248
Benefit payments	(220,813)
Net changes	165,386
Ending Balance June 30, 2021	\$ 1,468,503

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

III. Detail Notes on All Funds (Continued)

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Benefit payments presented are net of an implicit rate subsidy for retirees participating in the plan.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014, adopted by the LGERS Board.

The remaining actuarial assumptions used in the June 30, 2019 valuation were based on a recent plan experience performed concurrently with the June 30, 2019 valuation.

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 (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 1,610,688	\$ 1,468,503	\$ 1,340,757

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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current	1% Increase
Total OPEB liability	\$ 1,297,791	\$ 1,468,503	\$ 1,672,435

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

III. Detail Notes on All Funds (Continued)

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 \$100,492. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 104,434	\$ 121,508
Changes of assumptions	158,747	45,761
Total	<u>\$ 263,181</u>	<u>\$ 167,269</u>

\$0 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 ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (2,235)
2023	(2,235)
2024	4,198
2025	20,190
2026	30,105
Thereafter	45,889

3. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows
Contributions to pension plan in current fiscal year	\$ 401,809
Benefit payments and administrative expenses for LEOSSA made subsequent to measurement date	-
Benefit payments made for OPEB subsequent to measurement date	-
Differences between actual and expected experience	408,679
Changes in proportion and differences between contributions and proportionate share of contributions	132,877
Changes of assumptions	474,069
Net difference between projected and actual earnings on pension plan investments	274,665
	<u>\$ 1,692,099</u>

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

III. Detail Notes on All Funds (Continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties	\$ -	\$ 41,883
Capital grant funds receivable but unavailable	-	56,364
Prepaid taxes and other	-	34,748
Changes in assumptions	56,063	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	23,228	-
Differences between expected and actual experience	191,938	-
Total	<u>\$ 271,229</u>	<u>\$ 132,995</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5,000,000 per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the last three fiscal years. The Town does not carry flood insurance because they are not located within a flood plain.

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 individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000 per employee.

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

III. Detail Notes on All Funds (Continued)

5. Long-Term Obligations

a. Capital Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement for various vehicles was executed on October 5, 2017 and requires four annual payments of \$78,291 starting October 2017. This capital lease was paid off during the year ended June 30, 2021.

The agreement for various vehicles was executed on November 5, 2018 and requires four annual payments of \$72,302 starting November 15, 2018.

The agreement for various vehicles was executed on December 5, 2019 and requires four annual payments of \$105,647 starting December 5, 2019.

The following is an analysis of the assets recorded under the capital leases at June 30, 2021:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Equipment	\$ 216,694		
Vehicles and motorized equipment	1,052,106		
Total	<u>\$ 1,268,800</u>	<u>\$ 768,809</u>	<u>\$ 499,991</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2022	\$ 156,840	\$ 21,109
2023	84,538	21,109
2024	-	-
2025	-	-
2026	-	-
2027 and thereafter	-	-
Total minimum lease payments	241,378	42,218
Less: amount representing interest	<u>(12,243)</u>	<u>(2,225)</u>
Present value of minimum lease payments	<u>\$ 229,135</u>	<u>\$ 39,993</u>

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

III. Detail Notes on All Funds (Continued)

b. Installment Purchases

In April 2011, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in April 2012 with an interest rate of 3.17%. This loan was paid in full during the year ended June 30, 2021.

In August 2018, the Town entered into an installment purchase contract to finance the purchase of a fire tanker truck. The financing contract requires ten annual principal payments beginning in August 2019 with an interest rate of 3.75%. The outstanding balance at June 30, 2021 is \$531,105.

The future minimum payments of the installment purchases as of June 30, 2021, including \$93,469 of interest, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 58,155	\$ 19,917	\$ 78,072
2023	60,336	17,736	78,072
2024	62,599	15,473	78,072
2025	64,946	13,126	78,072
2026	67,446	10,626	78,072
2027 and thereafter	217,623	16,591	234,214
Totals	<u>\$ 531,105</u>	<u>\$ 93,469</u>	<u>\$ 624,574</u>

c. General Obligation Indebtedness

General obligation bonds, which were issued to finance the construction of facilities utilized in the operations of the water and sewer system and loans from the North Carolina Water Pollution Control Revolving Fund and North Carolina Clean Water Bond Program used to finance the construction of a sewer wastewater treatment facility and water lines, are reported as long-term debt in the Water and Sewer Fund since the resources of the fund are being used to retire the bonds and notes. 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.

Serviced by the Water and Sewer Fund:

Long-term debt at June 30, 2021 is comprised of the following:

Note payable to Carolina Bank (issued June 19, 2007 in the amount of \$8,000,000 and refinanced December 1, 2015) with principal and interest due in semi-annual installments starting in July 2016 with a balloon payment due July 2027; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction).

\$ 3,655,000

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

III. Detail Notes on All Funds (Continued)

Note payable to Carolina Bank (issued January 29, 2008 in the amount of \$8,000,000 and refinance January 1, 2016) with principal and interest due in semi-annual installments starting in July 2016; interest at 2.67%; secured by a deed of trust (proceeds used for reservoir construction). 3,460,000

Total water and sewer fund long-term debt \$ 7,115,000

d. Maturities of Long-Term Debt

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

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 937,000	\$ 183,709	\$ 1,120,709
2023	962,000	158,531	1,120,531
2024	988,000	132,672	1,120,672
2025	1,015,000	106,106	1,121,106
2026	1,042,000	78,819	1,120,819
Thereafter	<u>2,171,000</u>	<u>69,113</u>	<u>2,240,113</u>
	<u>\$ 7,115,000</u>	<u>\$ 728,950</u>	<u>\$ 7,843,950</u>

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

III. Detail Notes on All Funds (Continued)

e. Changes in Long-Term Liabilities

Compensated absences for governmental activities have typically been liquidated in the General Fund.

The following is a summary of changes in the Town's long-term debt for the year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<i>Governmental activities:</i>					
Capitalized leases	\$ 384,464	\$ -	\$ 155,329	\$ 229,135	\$ 146,893
Installment purchases	628,042	-	96,937	531,105	58,155
Compensated absences	172,563	72,751		245,314	
Separation allowance	596,602	222,460	-	819,062	-
Other postemployment benefits	981,360	-	63,493	917,867	-
Net pension liability (LGERS)	771,285	448,663	-	1,219,948	-
Governmental activity long-term liabilities	<u>\$ 3,534,316</u>	<u>\$ 743,874</u>	<u>\$ 315,759</u>	<u>\$ 3,962,431</u>	<u>\$ 205,048</u>
<i>Business-type activities:</i>					
<u>Water and Sewer Fund</u>					
Notes	\$ 8,036,675	\$ -	\$ 921,675	\$ 7,115,000	\$ 937,000
Capitalized leases	75,966	-	35,973	39,993	19,859
Compensated absences	114,162	-	1,092	113,070	-
Other postemployment benefits	321,757	228,879	-	550,636	-
Net pension liability (LGERS)	446,706	285,151	-	731,857	-
Business activity long-term liabilities	<u>\$ 8,995,266</u>	<u>\$ 514,030</u>	<u>\$ 958,740</u>	<u>\$ 8,550,556</u>	<u>\$ 956,859</u>

The Town had a legal debt margin of \$46,840,159 at June 30, 2021.

C. Interfund Balances and Activity

There are no interfund balance at June 30, 2021.

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

III. Detail Notes on All Funds (Continued)

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

There were no transfers made between funds during the year ended June 30, 2021

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts providing matching funds for various grant programs.

D. Net Investment in Capital Assets

The total net investment in capital assets at June 30, 2021 is composed of the following:

	Governmental Activities	Business-Type Activities
Capital assets	\$ 13,701,911	\$ 29,438,768
Less: long-term debt	(760,240)	(7,154,993)
Net investment in capital assets	<u>\$ 12,941,671</u>	<u>\$22,383,775</u>

E. Fund Balance

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

Total fund balance - General Fund	\$ 7,319,997
Less:	
Nonspendable	27,215
Appropriated fund balance in subsequent fiscal year's budget	-
Stabilization by State Statute	1,012,840
Streets - Powell Bill	<u>706,328</u>
Remaining fund balance	<u>\$ 5,573,614</u>

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

IV. Summary Disclosure of Significant Contingencies and Uncertainties

The Town is contingently liable in respect to other claims in the normal course of its operations. Should the Town become liable in these matters, such liability would be satisfied by budgetary appropriation in excess of insurance coverage in a subsequent year.

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 moneys 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 moneys.

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 measure in an effort to contain the virus, including social distancing, travel restrictions, border closers, 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 the Town, 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.

V. Commitments

The Town entered into a five (5) year contract with Waste Industries beginning July 1, 2017 to provide the collection and transportation of residential and business solid waste and recyclable materials located within the Town. The Town agreed to compensate the contractor a base fee for this service which will be adjusted on July 1 of each year based upon the change in the Consumer Price Index for the preceding year; however, the annual increase may not exceed 10% of the base fee.

The Town has agreed to pay a proportionate share of a Chatham County water and sewer project associated with the Chatham Business Park through the fiscal year ending 2036. The following represent the Town's future obligations related to this commitment:

2023	7,784
2024	7,267
2025	6,694
2026	6,120
Thereafter	30,436
	<hr/>
	\$ 66,601

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

VI. Significant Effects of Subsequent Events

Subsequent events have been evaluated through November 15, 2023, the date which the financial statements were available to be issued. There were no recognized events meriting disclosure. As of the date of issuance of the Town 's audit, there is a pandemic situation regarding the COVID-19 virus. The Town is monitoring the effect of this pandemic on its financial operations. At this time, management has evaluated the situation and has concluded no additional disclosures are warranted.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

TOWN OF SILER CITY, NORTH CAROLINA
Town of Siler City's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years*

Schedule 1

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the net pension liability (asset) (%)	0.0546%	0.0046%	0.0485%	0.0456%	0.0464%	0.0441%	0.0465%	0.0476%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,951,805	\$ 1,217,991	\$ 1,151,298	\$ 696,286	984,502	\$ 197,829	\$ (274,055)	\$ 573,763
Town's covered-employee payroll	\$ 3,623,636	\$ 3,025,607	\$ 2,994,511	\$ 2,447,632	\$ 2,755,217	\$ 2,673,100	\$ 2,645,637	\$ 2,681,174
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.86%	40.26%	38.45%	28.45%	35.73%	7.40%	-10.36%	21.40%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

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

TOWN OF SILER CITY, NORTH CAROLINA
Town of Siler City's Contributions
Required Supplementary Information
Last Eight Fiscal Years

Schedule 2

Local Government Employees' Retirement System

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 401,809	\$ 331,424	\$ 242,041	\$ 230,861	\$ 226,777	\$ 190,252	\$ 192,614	\$ 189,207
Contributions in relation to the contractually required contribution	<u>401,809</u>	<u>331,424</u>	<u>242,041</u>	<u>230,861</u>	<u>226,777</u>	<u>190,252</u>	<u>192,614</u>	<u>189,207</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$3,877,455	\$3,623,636	\$3,025,607	\$2,994,511	\$2,447,632	\$2,755,217	\$2,673,100	\$2,645,637
Contribution as a percentage of covered-employee payroll	10.36%	9.15%	8.00%	7.71%	9.27%	6.91%	7.21%	7.15%

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

Schedule 3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 596,602	\$ 721,623	\$ 712,462	\$ 678,839	\$ 683,310
Service cost	24,771	16,488	24,316	19,972	22,758
Interest on the total pension liability	18,387	25,188	21,730	25,484	23,729
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	53,773	(120,140)	33,891	(6,294)	-
Changes of assumptions or other inputs	190,684	12,713	(21,166)	31,742	(13,677)
Benefit payments	(65,155)	(59,270)	(49,610)	(37,281)	(37,281)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 819,062</u>	<u>\$ 596,602</u>	<u>\$ 721,623</u>	<u>\$ 712,462</u>	<u>\$ 678,839</u>

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

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officer's Special Separation Allowance
June 30, 2021

Schedule 4

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 819,062	\$ 596,602	\$ 721,623	\$712,462	\$678,839
Covered payroll	962,744	623,955	954,440	931,791	942,395
Total pension liability as a percentage of covered payroll	85.08%	95.62%	75.61%	76.46%	72.03%

Notes to the schedules:

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

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Changes in Total OPEB Liability and Related Ratios
June 30, 2021

Schedule 5

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 58,888	\$ 52,852	\$ 54,583	\$ 58,913
Interest	43,839	49,745	46,752	40,257
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	121,224	(92,349)	(82,117)	(26,496)
Changes of assumptions	162,248	26,239	(37,928)	(64,966)
Benefit payments	(220,813)	(24,114)	(7,520)	(55,952)
Net change in total OPEB liability	<u>165,386</u>	<u>12,373</u>	<u>(26,230)</u>	<u>(48,244)</u>
Total OPEB liability - beginning	<u>1,303,117</u>	<u>1,290,744</u>	<u>1,316,974</u>	<u>1,365,218</u>
Total OPEB liability - ending	<u><u>\$ 1,468,503</u></u>	<u><u>\$ 1,303,117</u></u>	<u><u>\$ 1,290,744</u></u>	<u><u>\$ 1,316,974</u></u>
 Covered payroll	 \$ 3,323,533	 \$ 3,323,533	 \$ 2,785,826	 \$ 2,785,826
Total OPEB liability as a percentage of covered payroll	44.18%	39.21%	46.33%	47.27%

Notes to Schedule

Changes of assumptions: Changes of assumptions 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:

<u>Fiscal Year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Current year	\$ 242,620	\$ 268,913	\$ 26,293
Prior years	2,693,630	2,955,191	261,561
Interest and penalties	12,800	23,783	10,983
Total	<u>2,949,050</u>	<u>3,247,887</u>	<u>298,837</u>
Other taxes and licenses:			
Motor vehicle licenses	650	628	(22)
Rental vehicle tax	800	775	(25)
Total	<u>1,450</u>	<u>1,403</u>	<u>(47)</u>
Unrestricted intergovernmental:			
Local option sales tax	2,759,585	2,974,004	214,419
Utility franchise tax	367,650	440,652	73,002
Wine and beer taxes	37,800	35,922	(1,878)
Piped natural gas tax	11,170	23,395	12,225
Telecommunications sales tax	38,000	36,404	(1,596)
Solid waste disposal tax	6,000	7,980	1,980
Video franchise fee	28,500	34,876	6,376
Gas tax refund	3,000	3,964	964
ABC profit distribution	53,000	81,999	28,999
Total	<u>3,304,705</u>	<u>3,639,196</u>	<u>334,491</u>
Restricted intergovernmental:			
State street aid - Powell Bill	219,000	209,691	(9,309)
NCDOT - non-primary airports apportionment	-	20	20
Fire district tax	434,000	433,329	(671)
State allocation for fire department	2,500	-	(2,500)
Controlled substance tax	-	1,178	1,178
Cares Act	381,545	411,544	29,999
Governor's Crime Commission Domestic Violence grant	110,650	158,110	47,460
ABC revenue - law enforcement	4,200	12,004	7,804
Total	<u>1,151,895</u>	<u>1,225,876</u>	<u>73,981</u>

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	Budget	Actual	Variance Positive (Negative)
Permits and fees:			
Building permits	\$ -	\$ 1,260	\$ 1,260
Other permits	185	195	10
Zoning fees	58,750	67,369	8,619
Total	<u>58,935</u>	<u>68,824</u>	<u>9,889</u>
Sales and services:			
Recreation:			
Concessions	5,500	53,122	47,622
Entry fees	11,580	5,551	(6,029)
Rent	12,000	4,107	(7,893)
Sponsorship	25,500	7,016	(18,484)
Facilities rent	50,275	53,231	2,956
Officers' fees	1,500	986	(514)
Court facilities fees	2,200	924	(1,276)
Other	2,400	5,511	3,111
Landfill tipping fees	501,420	523,788	22,368
Total	<u>612,375</u>	<u>654,236</u>	<u>41,861</u>
Investment earnings	<u>72,000</u>	<u>(1,218)</u>	<u>(73,218)</u>
Miscellaneous			
Donations	-	11,700	11,700
Miscellaneous	5,500	162,816	157,316
Sales of cemetery plots	3,500	11,250	7,750
Total	<u>9,000</u>	<u>185,766</u>	<u>176,766</u>
Total revenues	<u>8,159,410</u>	<u>9,021,970</u>	<u>862,560</u>

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and employee benefits	\$ 62,745	\$ (28,130)	\$ 90,875
Operating expenses	225,025	203,286	21,739
Total	<u>287,770</u>	<u>175,156</u>	<u>112,614</u>
Town manager:			
Salaries and employee benefits	90,121	60,101	30,020
Operating expenses	27,302	55,924	(28,622)
Total	<u>117,423</u>	<u>116,025</u>	<u>1,398</u>
Human resources:			
Salaries and employee benefits	90,292	91,005	(713)
Operating expenses	51,938	41,874	10,064
Capital outlay	8,680	8,218	462
Total	<u>150,910</u>	<u>141,097</u>	<u>9,813</u>
Finance:			
Salaries and employee benefits	118,545	112,368	6,177
Operating expenses	123,264	130,929	(7,665)
Capital outlay	3,600	1,999	1,601
Total	<u>245,409</u>	<u>245,296</u>	<u>113</u>
Buildings and grounds:			
Operating expenses	119,706	109,561	10,145
Total	<u>119,706</u>	<u>109,561</u>	<u>10,145</u>
Non-departmental:			
Insurance	720,309	606,231	114,078
Operating expenses	607,321	522,141	85,180
Capital outlay	49,673	6,030	43,643
Total	<u>1,377,303</u>	<u>1,134,402</u>	<u>242,901</u>
Total general government	<u>2,298,521</u>	<u>1,921,537</u>	<u>376,984</u>
Public safety:			
Police:			
Salaries and employee benefits	1,684,801	1,574,800	110,001
Operating expenses	359,086	338,683	20,403
Capital outlay	202,914	146,876	56,038
Total	<u>2,246,801</u>	<u>2,060,359</u>	<u>186,442</u>
Fire:			
Salaries and employee benefits	433,727	431,069	2,658
Operating expenses	239,888	199,131	40,757
Capital outlay	62,546	60,368	2,178
Total	<u>736,161</u>	<u>690,568</u>	<u>45,593</u>
Total public safety	<u>2,982,962</u>	<u>2,750,927</u>	<u>232,035</u>

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Garage:			
Salaries and employee benefits	\$ 26,186	\$ 29,903	\$ (3,717)
Operating expenses	49,375	37,771	11,604
Total	<u>75,561</u>	<u>67,674</u>	<u>7,887</u>
Public works:			
Salaries and employee benefits	293,575	294,289	(714)
Operating expenses	781,986	404,734	377,252
Capital outlay	6,694	6,270	424
Total	<u>1,082,255</u>	<u>705,293</u>	<u>376,962</u>
Airport:			
Operating expenses	101,278	89,733	11,545
Total	<u>101,278</u>	<u>89,733</u>	<u>11,545</u>
Total transportation	<u>1,259,094</u>	<u>862,700</u>	<u>396,394</u>
Environmental protection:			
Sanitation:			
Salaries and employee benefits	68,439	75,560	(7,121)
Operating expenses	578,120	603,249	(25,129)
Total	<u>646,559</u>	<u>678,809</u>	<u>(32,250)</u>
Total environmental protection	<u>646,559</u>	<u>678,809</u>	<u>(32,250)</u>
Economic and physical development:			
Community development:			
Salaries and employee benefits	138,592	145,036	(6,444)
Operating expenses	201,863	159,161	42,702
Total	<u>340,455</u>	<u>304,197</u>	<u>36,258</u>
Total economic and physical development	<u>340,455</u>	<u>304,197</u>	<u>36,258</u>
Cultural and recreational:			
Parks and recreation:			
Salaries and employee benefits	279,383	249,462	29,921
Operating expenses	367,944	295,678	72,266
Capital outlay	15,000	500	14,500
Total	<u>662,327</u>	<u>545,640</u>	<u>116,687</u>

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 6

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2021
(Continued)

	Budget	Actual	Variance Positive (Negative)
Library:			
Operating expenses	\$ 41,595	\$ 12,372	\$ 29,223
Total	<u>41,595</u>	<u>12,372</u>	<u>29,223</u>
 Total cultural and recreation	 <u>703,922</u>	 <u>558,012</u>	 <u>145,910</u>
Debt service:			
Principal	338,510	296,758	41,752
Interest	42,446	42,809	(363)
Total	<u>380,956</u>	<u>339,567</u>	<u>41,389</u>
 Total expenditures	 <u>8,612,469</u>	 <u>7,415,749</u>	 <u>1,196,720</u>
Revenues over (under) expenditures	(453,059)	1,606,221	2,059,280
Other financing sources (uses):			
Transfers to other funds	(200,105)	-	200,105
Insurance recovery	22,645	27,032	4,387
Total other financing sources (uses)	<u>(177,460)</u>	<u>27,032</u>	<u>204,492</u>
Fund balance appropriated	<u>630,519</u>	<u>-</u>	<u>630,519</u>
Net change in fund balance	<u>\$ -</u>	1,633,253	<u>\$ 1,633,253</u>
Fund balance, beginning		<u>5,686,744</u>	
Fund balance, ending		<u>\$ 7,319,997</u>	

TOWN OF SILER CITY, NORTH CAROLINA
Combining Balance Sheet
Non-Major Capital Project Funds
For the Fiscal Year Ended June 30, 2021

Schedule 7

	Capital Reserve	Greenway Construction	Airport Runway	Airfield Lighting	Airfield Lighting Rehab & Beacon Replacement	Land Acquisition (White Property)	Aquatic Facility	East Raleigh Street Sidewalk	Brownfields Assessment	CDBG Project	Town Hall Renovations	Total Nonmajor Governmental Funds
ASSETS												
Cash and cash equivalents	\$ 166,446	\$ -	\$ (9,838.00)	\$ 92,792	\$ 712	\$ (239,585)	\$ (42)	\$ (2,565)	\$ -	\$ (11,063)	\$ 452,231	\$ 449,088
Due from other governments	-	(1,795)	-	-	33,474	29,210	-	2,052	-	-	-	62,941
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 166,446</u>	<u>\$ (1,795)</u>	<u>\$ (9,838)</u>	<u>\$ 92,792</u>	<u>\$ 34,186</u>	<u>\$ (210,375)</u>	<u>\$ (42)</u>	<u>\$ (513)</u>	<u>\$ -</u>	<u>\$ (11,063)</u>	<u>\$ 452,231</u>	<u>\$ 512,029</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)												
Liabilities:												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,846	\$ -	\$ 6,324	\$ -	\$ 4,466	\$ 33,397	\$ 60,033
Due to other funds	(1)	-	-	-	-	-	-	-	-	-	-	(1)
Total liabilities	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,846</u>	<u>-</u>	<u>6,324</u>	<u>-</u>	<u>4,466</u>	<u>33,397</u>	<u>60,032</u>
Deferred inflows of resources:												
Unavailable revenue	-	16,975	-	-	33,474	3,863	-	2,052	-	-	-	56,364
Total deferred inflows of resources	<u>-</u>	<u>16,975</u>	<u>-</u>	<u>-</u>	<u>33,474</u>	<u>3,863</u>	<u>-</u>	<u>2,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,364</u>
Fund balances (deficits):												
Restricted:												
Stabilization by State Statute	-	-	-	-	-	-	-	-	-	-	-	-
Committed:												
Capital Projects	166,447	-	-	-	-	-	-	-	-	-	-	166,447
Assigned:												
Transportation	-	-	(9,838)	92,792	712	(230,084)	-	(8,889)	-	-	-	(155,307)
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-
Economic and physical development	-	-	-	-	-	-	-	-	-	(15,529)	-	(15,529)
General government	-	-	-	-	-	-	-	-	-	-	418,834	418,834
Cultural and recreational	-	(18,770)	-	-	-	-	(42)	-	-	-	-	(18,812)
Total fund balances (deficits)	<u>166,447</u>	<u>(18,770)</u>	<u>(9,838)</u>	<u>92,792</u>	<u>712</u>	<u>(230,084)</u>	<u>(42)</u>	<u>(8,889)</u>	<u>-</u>	<u>(15,529)</u>	<u>418,834</u>	<u>395,633</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 166,446</u>	<u>\$ (1,795)</u>	<u>\$ (9,838)</u>	<u>\$ 92,792</u>	<u>\$ 34,186</u>	<u>\$ (210,375)</u>	<u>\$ (42)</u>	<u>\$ (513)</u>	<u>\$ -</u>	<u>\$ (11,063)</u>	<u>\$ 452,231</u>	<u>\$ 512,029</u>

TOWN OF SILER CITY, NORTH CAROLINA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Capital Projects Funds
For the Fiscal Year Ended June 30, 2021

Schedule 8

	Capital Reserve	Greenway Construction	Airport Runway	Airfield Lighting	Airfield Lighting Rehab & Beacon Replacement	Land Acquisition (White Property)	Aquatic Facility	East Raleigh Street Sidewalk	Brownfields Assessment	CDBG Project	Town Hall Renovations	Total Nonmajor Governmental Funds
REVENUES												
Restricted intergovernmental - grant proceeds	\$ -	\$ 1,196	\$ -	\$ -	\$ 8,432	\$ 197,197	\$ -	\$ -	\$ 19,696	\$ -	\$ -	\$ 226,521
Investment earnings	229	-	-	-	-	-	-	-	-	-	-	229
Total revenues	229	1,196	-	-	8,432	197,197	-	-	19,696	-	-	226,750
EXPENDITURES												
Transportation	-	-	-	-	-	391,939	-	6,324	-	-	-	398,263
Environmental protection	-	-	-	-	-	-	-	-	18,518	-	-	18,518
Economic and physical development	-	-	-	-	-	-	-	-	-	15,529	-	15,529
General government	-	-	-	-	-	-	-	-	-	-	63,225	63,225
Cultural and recreational	-	2,991	-	-	-	-	-	-	-	-	-	2,991
Total expenditures	-	2,991	-	-	-	391,939	-	6,324	18,518	15,529	63,225	498,526
Excess (deficiency) of revenues over expenditures	229	(1,795)	-	-	8,432	(194,742)	-	(6,324)	1,178	(15,529)	(63,225)	(271,776)
OTHER FINANCING SOURCES (USES)												
Transfers from other funds												
General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	229	(1,795)	-	-	8,432	(194,742)	-	(6,324)	1,178	(15,529)	(63,225)	(271,776)
Fund balances, beginning	166,218	(16,975)	(9,838)	92,792	(7,720)	(35,342)	(42)	(2,565)	(1,178)	-	482,059	667,409
Fund balances, ending	\$ 166,447	\$ (18,770)	\$ (9,838)	\$ 92,792	\$ 712	\$ (230,084)	\$ (42)	\$ (8,889)	\$ -	\$ (15,529)	\$ 418,834	\$ 395,633

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 9

Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 317,000	\$ 459,204	\$ 229	\$ 459,433	\$ 142,433
Other Financing Sources (Uses):					
Transfers from:					
General fund	1,206,175	983,093	-	983,093	(223,082)
Water and sewer fund	59,000	-	-	-	(59,000)
Transfers to:					
General fund	(1,384,850)	(966,648)	-	(966,648)	418,202
Capital project funds	(197,325)	(309,431)	-	(309,431)	(112,106)
Total other financing sources (uses)	(317,000)	(292,986)	-	(292,986)	24,014
Net change in fund balance	<u>\$ -</u>	<u>\$ 166,218</u>	229	<u>\$ 166,447</u>	<u>\$ 166,447</u>
Fund balance, beginning			166,218		
Fund balance, ending			<u>\$ 166,447</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 10

Capital Projects Fund (Greenway Construction)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	\$ 961,967	\$ 932,177	\$ 1,196	\$ 933,373	\$ (28,594)
Expenditures:					
Cultural and recreational:					
Construction	961,967	955,250	2,991	958,241	3,726
Revenues over (under) expenditures	-	(23,073)	(1,795)	(24,868)	(24,868)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	-	6,098	-	6,098	6,098
Total other financing sources (uses)	-	6,098	-	6,098	6,098
Net change in fund balance	<u>\$ -</u>	<u>\$ (16,975)</u>	(1,795)	<u>\$ (18,770)</u>	<u>\$ (18,770)</u>
Fund balance, beginning			(16,975)		
Fund balance, ending			<u>\$ (18,770)</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 11

Capital Projects Fund (Airport Runway)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$2,547,691	\$2,546,177	\$ -	\$2,546,177	\$ (1,514)
Local grant proceeds	160,346	160,346		160,346	-
Total revenues	2,708,037	2,706,523	-	2,706,523	(1,514)
Expenditures:					
Transportation:					
Construction	2,830,768	2,829,783	-	2,829,783	985
Revenues over (under) expenditures	(122,731)	(123,260)	-	(123,260)	(529)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	122,731	113,422	-	113,422	(9,309)
Total other financing sources (uses)	122,731	113,422	-	113,422	(9,309)
Net change in fund balance	<u>\$ -</u>	<u>\$ (9,838)</u>	-	<u>\$ (9,838)</u>	<u>\$ (9,838)</u>
Fund balance, beginning			(9,838)		
Fund balance, ending			<u>\$ (9,838)</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 12

Capital Projects Fund (Airfield Lighting)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	<u>\$1,005,176</u>	<u>\$ 101,237</u>	<u>\$ -</u>	<u>\$ 101,237</u>	<u>\$ (903,939)</u>
Expenditures:					
Transportation:					
Engineering and design	<u>1,116,863</u>	<u>120,132</u>	<u>-</u>	<u>120,132</u>	<u>996,731</u>
Revenues over (under) expenditures	<u>(111,687)</u>	<u>(18,895)</u>	<u>-</u>	<u>(18,895)</u>	<u>92,792</u>
Other Financing Sources (Uses):					
Transfers in (out)					
General Fund	<u>111,687</u>	<u>111,687</u>	<u>-</u>	<u>111,687</u>	<u>-</u>
Total other financing sources (uses)	<u>111,687</u>	<u>111,687</u>	<u>-</u>	<u>111,687</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 92,792</u>	<u>-</u>	<u>\$ 92,792</u>	<u>\$ 92,792</u>
Fund balance, beginning			<u>92,792</u>		
Fund balance, ending			<u>\$ 92,792</u>		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Projects Fund (Airfield Lighting Rehabilitation and Beacon Light Replacement)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 13

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	\$ 957,688	\$ 886,350	\$ 8,432	\$ 894,782	\$ (62,906)
Expenditures:					
Transportation:					
Administration	94,946	34,291	-	34,291	60,655
Construction	883,180	879,454	-	879,454	3,726
Engineering and design	85,973	86,736	-	86,736	(763)
Total expenditures	1,064,099	1,000,481	-	1,000,481	63,618
Revenues over (under) expenditures	(106,411)	(114,131)	8,432	(105,699)	712
Other Financing Sources (Uses):					
Transfers from:					
General Fund	106,411	106,411	-	106,411	-
Total other financing sources (uses)	106,411	106,411	-	106,411	-
Net change in fund balance	\$ -	\$ (7,720)	8,432	\$ 712	\$ 712
Fund balance, beginning			(7,720)		
Fund balance, ending			\$ 712		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Projects Fund (Land Acquisition - White Property)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 14

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	\$ 726,370	\$ 105,366	\$ 197,197	\$ 302,563	\$ (423,807)
Expenditures:					
Transportation:					
Administration	496,662	166,001	246,471	412,472	84,190
Engineering and design	316,396	3,110	145,468	148,578	167,818
Total expenditures	813,058	169,111	391,939	561,050	252,008
Revenues over (under) expenditures	(86,688)	(63,745)	(194,742)	(258,487)	(171,799)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	86,688	28,403	-	28,403	(58,285)
Total other financing sources (uses)	86,688	28,403	-	28,403	(58,285)
Net change in fund balance	\$ -	\$ (35,342)	(194,742)	\$ (230,084)	\$ (230,084)
Fund balance, beginning			(35,342)		
Fund balance, ending			\$ (230,084)		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 15

Capital Projects Fund (Aquatic Facility)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$ 480,035	\$ 480,035	\$ -	\$ 480,035	\$ -
Local grant proceeds	42,760	42,760	-	42,760	-
Total revenues	522,795	522,795	-	522,795	-
Expenditures:					
Cultural and recreational:					
Construction	1,002,830	1,002,872	-	1,002,872	(42)
Revenues over (under) expenditures	(480,035)	(480,077)	-	(480,077)	(42)
Other Financing Sources (Uses):					
Transfers from:					
General Fund	480,035	480,035	-	480,035	-
Total other financing sources (uses)	480,035	480,035	-	480,035	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (42)</u>	\$ -	<u>\$ (42)</u>	<u>\$ (42)</u>
Fund balance, beginning			(42)		
Fund balance, ending			<u>\$ (42)</u>		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Projects Fund (East Raleigh Street Sidewalk)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 16

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	\$ 696,000	\$ 40,639	\$ -	\$ 40,639	\$ (655,361)
Expenditures:					
Transportation:					
Construction	744,000	-	-	-	744,000
Engineering and design	126,000	55,204	6,324	61,528	64,472
Right of way	45,000	-	-	-	45,000
Total expenditures	915,000	55,204	6,324	61,528	853,472
Revenues over (under) expenditures	(219,000)	(14,565)	(6,324)	(20,889)	198,111
Other Financing Sources (Uses):					
Transfers from:					
General Fund	219,000	12,000	-	12,000	(207,000)
Total other financing sources (uses)	219,000	12,000	-	12,000	(207,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ (2,565)</u>	\$ (6,324)	<u>\$ (8,889)</u>	<u>\$ (8,889)</u>
Fund balance, beginning			<u>(2,565)</u>		
Fund balance, ending			<u>\$ (8,889)</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 17

Capital Projects Fund (Brownfield Assessment)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds - hazardous	\$ 200,000	\$ 192,107	\$ 7,893	\$ 200,000	\$ -
Federal grant proceeds - petroleum	100,000	88,197	11,803	100,000	-
Total revenues	300,000	280,304	19,696	300,000	-
Expenditures:					
Environmental protection:					
Operating - hazardous	200,000	192,630	7,370	200,000	-
Operating - petroleum	100,000	88,852	11,148	100,000	-
Total expenditures	300,000	281,482	18,518	300,000	-
Net change in fund balance	\$ -	\$ (1,178)	1,178	\$ -	\$ -
Fund balance, beginning			(1,178)		
Fund balance, ending			\$ -		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 18

Capital Projects Fund (CDBG Project)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
CDBG grant proceeds	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Expenditures:					
Economic and physical development					
CDBG expenses	750,000	-	15,529	15,529	734,471
Total expenditures	750,000	-	15,529	15,529	734,471
Net change in fund balance	\$ -	\$ -	\$ (15,529)	\$ (15,529)	\$ (15,529)
Fund balance, beginning			-		
Fund balance, ending			\$ (15,529)		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 19

Capital Projects Fund (Town Hall Renovations)

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Expenditures:					
General government:					
Construction	\$ 651,640	\$ -	\$ -	\$ -	\$ 651,640
Engineering and design	57,260	49,768	63,225	112,993	(55,733)
Furnishings	25,000	-	-	-	25,000
Total expenditures	733,900	49,768	63,225	112,993	620,907
Revenues over (under) expenditures	(733,900)	(49,768)	(63,225)	(112,993)	620,907
Other Financing Sources (Uses):					
Transfers from:					
General Fund	733,900	531,827	-	531,827	(202,073)
Total other financing sources (uses)	733,900	531,827	-	531,827	(202,073)
Net change in fund balance	<u>\$ -</u>	<u>\$ 482,059</u>	<u>\$ (63,225)</u>	<u>\$ 418,834</u>	<u>\$ 418,834</u>
Fund balance, beginning			482,059		
Fund balance, ending			<u>\$ 418,834</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 20

Water and Sewer Fund

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Water sales	\$ 4,113,350	\$ 4,209,922	\$ 96,572
Sewer sales	3,697,105	4,012,232	315,127
Water and sewer taps	7,650	7,652	2
Reconnection fees	75,500	88,065	12,565
Water meter installation	11,900	12,054	154
Other operating charges	26,700	69,549	42,849
Total operating revenues	<u>7,932,205</u>	<u>8,399,474</u>	<u>467,269</u>
Nonoperating revenues:			
Interest earnings	<u>12,800</u>	<u>816</u>	<u>(11,984)</u>
Total revenues	<u>7,945,005</u>	<u>8,400,290</u>	<u>455,285</u>
Expenditures:			
Administration:			
Salaries and employee benefits	611,507	467,785	143,722
Other operating expenditures	159,959	152,557	7,402
Total expenditures	<u>771,466</u>	<u>620,342</u>	<u>151,124</u>
Water operations:			
Salaries and employee benefits	396,302	415,448	(19,146)
Other operating expenditures	1,488,019	1,197,301	290,718
Capital outlay	296,500	265,952	30,548
Total expenditures	<u>2,180,821</u>	<u>1,878,701</u>	<u>302,120</u>
Sewer operations:			
Salaries and employee benefits	468,246	470,332	(2,086)
Other operating expenditures	1,561,130	1,390,746	170,384
Capital outlay	275,368	173,524	101,844
Total expenditures	<u>2,304,744</u>	<u>2,034,602</u>	<u>270,142</u>
Water and sewer maintenance:			
Salaries and employee benefits	351,078	363,477	(12,399)
Other operating expenditures	381,400	209,482	171,918
Capital outlay	100,000	40,073	59,927
Total expenditures	<u>832,478</u>	<u>613,032</u>	<u>219,446</u>
Water and sewer maintenance:			
Other operating expenditures	<u>591,060</u>	<u>564,652</u>	<u>26,408</u>
Total expenditures	<u>591,060</u>	<u>564,652</u>	<u>26,408</u>
Debt services:			
Interest and fees	208,234	216,500	(8,266)
Debt principal	912,000	957,648	(45,648)
	<u>1,120,234</u>	<u>1,174,148</u>	<u>(53,914)</u>
Total expenditures	<u>7,800,803</u>	<u>6,885,477</u>	<u>915,326</u>
Revenues over (under) expenditures	<u>144,202</u>	<u>1,514,813</u>	<u>1,370,611</u>

TOWN OF SILER CITY, NORTH CAROLINA
Water and Sewer Fund
Schedule of Revenues and Expenditures (Continued)
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2021

Schedule 20

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Other financing sources (uses):			
Transfers (to) from other funds:			
Capital project funds	\$ (244,637)	\$ -	\$ 244,637
Total	<u>(244,637)</u>	<u>-</u>	<u>244,637</u>
Fund balance appropriated	<u>100,435</u>	<u>-</u>	<u>100,435</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,514,813</u>	<u>\$ 1,514,813</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		921,675	
Payment of capital lease obligation		35,973	
Grant revenue from Water and Sewer Capital Project Funds		1,049,861	
Capital outlay		345,900	
Depreciation		(1,021,569)	
Change in deferred outflow of resources		224,367	
Change in pension liability		(285,151)	
Change in accrued vacation		-	
Change in deferred inflows of resources		(7,200)	
Change in OPEB liability		(228,879)	
Miscellaneous		<u>-</u>	
Change in net position		<u>\$ 2,549,790</u>	

TOWN OF SILER CITY NORTH CAROLINA

Schedule 21

Water and Sewer Capital Reserve Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 204,000	\$ 197,572	\$ -	\$ 197,572	\$ (6,428)
Other Financing Sources (Uses)					
Transfers from:					
Water and sewer fund	1,560,000	1,443,799	-	1,443,799	(116,201)
Transfers to:					
Water and sewer capital projects fund	(1,164,000)	(1,163,427)		(1,163,427)	573
Water and sewer fund debt service	(600,000)	(477,111)	-	(477,111)	122,889
Total other financing sources (uses)	(204,000)	(196,739)	-	(196,739)	7,261
Net change in fund balance	\$ -	\$ 833	-	\$ 833	\$ 833
Fund balance, beginning			833		
Fund balance, ending			\$ 833		

TOWN OF SILER CITY NORTH CAROLINA
Capital Project Fund (Wastewater Collection System Improvements)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 22

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	<u>\$2,000,000</u>	<u>\$1,457,598</u>	<u>\$ 542,402</u>	<u>\$2,000,000</u>	<u>\$ -</u>
Expenditures:					
Water and sewer:					
Construction	1,656,884	1,557,151	90,102	1,647,253	9,631
Engineering and design	273,720	248,299	1,160	249,459	24,261
Administration	150,000	146,155	7,050	153,205	(3,205)
Legal	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>2,090,604</u>	<u>1,951,605</u>	<u>98,312</u>	<u>2,049,917</u>	<u>40,687</u>
Other Financing Sources (Uses)					
Transfers from:					
Water and sewer fund	<u>90,604</u>	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>-</u>
Total other financing sources (uses)	<u>90,604</u>	<u>90,604</u>	<u>-</u>	<u>90,604</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ (403,403)</u></u>	444,090	<u><u>\$ 40,687</u></u>	<u><u>\$ 40,687</u></u>
Fund balance, beginning			<u>(403,403)</u>		
Fund balance, ending			<u><u>\$ 40,687</u></u>		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Project Fund (CAM Water System Extension)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 23

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$4,000,000	\$3,642,228	\$ -	\$3,642,228	\$ (357,772)
Expenditures:					
Water and sewer:					
Construction	3,454,000	3,481,643	-	3,481,643	(27,643)
Administration - observation	140,000	140,000	-	140,000	-
Bid award - permits	20,000	20,585	-	20,585	(585)
Testing	28,000	-	-	-	28,000
Legal and administrative	50,000	-	-	-	50,000
Contingency	308,000	-	-	-	308,000
Total expenditures	4,000,000	3,642,228	-	3,642,228	357,772
Revenues over (under) expenditures	-	-	-	-	-
Net change in fund balance	\$ -	\$ -	-	\$ -	\$ -
Fund balance, beginning			-		
Fund balance, ending			\$ -		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Project Fund (Water Treatment Plant Improvements)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 24

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$2,352,513	\$ -	\$ 507,459	\$ 507,459	\$ (1,845,054)
Expenditures:					
Water and sewer:					
Administration	20,000	3,000	-	3,000	17,000
Engineering and design	470,000	286,414	2,100	288,514	181,486
Construction	3,800,000	208,085	16,161	224,246	3,575,754
Loan and grant closing fee	81,725	-	81,725	81,725	-
Contingency	380,000	-	-	-	380,000
Total expenditures	4,751,725	497,499	99,986	597,485	4,154,240
Revenues over (under) expenditures	(2,399,212)	(497,499)	407,473	(90,026)	2,309,186
Other Financing Sources (Uses)					
Transfers from:					
Water and sewer fund	46,700	46,700	-	46,700	-
Proceeds from installment purchases	2,352,512	-	-	-	(2,352,512)
Total other financing sources (uses)	2,399,212	46,700	-	46,700	(2,352,512)
Net change in fund balance	\$ -	\$ (450,799)	407,473	\$ (43,326)	\$ (43,326)
Fund balance, beginning			(450,799)		
Fund balance, ending			\$ (43,326)		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Projects Fund (Wastewater Asset Inventory and Assessment)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 25

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$ 150,000	\$ -	\$ -	\$ -	\$ (150,000)
Expenditures:					
Water and sewer:					
Engineering and design	140,000	48,993	80,894	129,887	10,113
Software	10,000	3,302	-	3,302	6,698
Total expenditures	150,000	52,295	80,894	133,189	16,811
Net change in fund balance	<u>\$ -</u>	<u>\$ (52,295)</u>	(80,894)	<u>\$ (133,189)</u>	<u>\$ (133,189)</u>
Fund balance, beginning			<u>(52,295)</u>		
Fund balance, ending			<u>\$ (133,189)</u>		

TOWN OF SILER CITY, NORTH CAROLINA
Capital Projects Fund (Water Asset Inventory and Assessment)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

Schedule 26

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
State grant proceeds	\$ 95,000	\$ -	\$ -	\$ -	\$ (95,000)
Expenditures:					
Water and sewer:					
Engineering and design	95,000	44,924	43,641	88,565	6,435
Net change in fund balance	<u>\$ -</u>	<u>\$ (44,924)</u>	(43,641)	<u>\$ (88,565)</u>	<u>\$ (88,565)</u>
Fund balance, beginning			<u>(44,924)</u>		
Fund balance, ending			<u>\$ (88,565)</u>		

TOWN OF SILER CITY, NORTH CAROLINA **Schedule 27**
Capital Projects Fund (Waste Water Treatment Plant Nutrient Removal Phase 1)
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Federal grant proceeds	\$3,000,000	\$ -	\$ -	\$ -	\$ (3,000,000)
State grant proceeds	2,000,000	-	-	-	(2,000,000)
Chatham County match	750,000	-	-	-	(750,000)
Total revenues	<u>5,750,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,750,000)</u>
Expenditures:					
Water and sewer:					
Construction	4,620,000	-	-	-	4,620,000
Engineering and design	608,586	20,886	712	21,598	586,988
Administration	30,000	84,043	57,089	141,132	(111,132)
Contingency	491,414	-	-	-	491,414
Total expenditures	<u>5,750,000</u>	<u>104,929</u>	<u>57,801</u>	<u>162,730</u>	<u>5,587,270</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (104,929)</u>	<u>(57,801)</u>	<u>\$ (162,730)</u>	<u>\$ (162,730)</u>
Fund balance, beginning			<u>(104,929)</u>		
Fund balance, ending			<u>\$ (162,730)</u>		

TOWN OF SILER CITY, NORTH CAROLINA

Schedule 28

License Plate Agency

Schedule of Revenues and Expenditures

Budget and Actual (Non - GAAP)

For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
License plate agency fees	\$ 117,346	\$ 175,418	\$ 58,072
Notary fees	33,200	37,614	4,414
Other operating revenues	2,900	3,470	570
Total revenues	<u>153,446</u>	<u>216,502</u>	<u>63,056</u>
Expenditures:			
Operating expenditures:			
Salaries and employee benefits	141,013	121,878	19,135
Other operating expenditures	<u>12,433</u>	<u>7,028</u>	<u>5,405</u>
Total expenditures	<u>153,446</u>	<u>128,906</u>	<u>24,540</u>
Revenues over (under) expenditures	<u>\$ -</u>	87,596	<u>\$ 87,596</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(1,199)	
Change in accrued vacation pay		-	
Change in net pension liability		(11,096)	
Change in deferred outflows of resources		6,016	
Change in deferred inflows of resources		(426)	
Change in OPEB		<u>(12,755)</u>	
Change in net position		<u>\$ 68,136</u>	

OTHER SCHEDULES

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Schedule 29

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 3,206,517	\$ 3,170,472	\$ 36,045
2019-2020	71,507	-	56,371	15,136
2018-2019	18,388	-	9,710	8,678
2017-2018	7,677	-	3,488	4,189
2016-2017	5,192	-	1,975	3,217
2015-2016	3,194	-	1,212	1,982
2014-2015	2,526	-	1,031	1,495
2013-2014	2,386	-	546	1,840
2012-2013	2,390	-	571	1,819
2011-2012	4,699	-	978	3,721
2010-2011	3,157	-	3,157	-
2009-2010	-	-	-	-
	<u>\$ 121,116</u>	<u>\$ 3,206,517</u>	<u>\$ 3,249,511</u>	78,122
Less: allowance for uncollectible accounts:				
General Fund				<u>(36,239)</u>
Ad valorem taxes receivable - net				<u>\$ 41,883</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				3,224,104
Reconciling items:				
Penalties and interest				23,783
Taxes written off				
Other				-
Subtotal				<u>23,783</u>
Total collections and credits				<u>\$ 3,247,887</u>

TOWN OF SILER CITY, NORTH CAROLINA
Analysis of Current Tax Levy
Town-Wide Levy
For the Fiscal Year Ended June 30, 2021

Schedule 30

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed					
at current rate	\$ 591,338,885	0.5400	\$ 3,193,230	\$ 2,762,698	\$ 430,532
Penalties, Licenses, etc.	-	0.5400	5,864	5,864	-
Discoveries:					
Adjustments at current					
year's rate					
Taxes	2,103,115	0.5400	11,357	11,357	-
Penalties	-		2,931	2,931	-
Abatements					
Current year's rate	(1,271,204)	0.5400	(6,865)	(6,865)	-
Prior year's rate		0.5400	-	-	-
Total Property Valuation	<u>\$ 592,170,796</u>				
Net levy			3,206,517	2,775,985	430,532
Uncollected taxes at June 30, 2021			<u>36,045</u>	<u>36,045</u>	<u>-</u>
Current year's taxes collected			<u>\$ 3,170,472</u>	<u>\$ 2,739,940</u>	<u>\$ 430,532</u>
Current levy collection percentage			<u>98.88%</u>	<u>98.70%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Independent Auditors' Report On Internal Controls Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

To the Honorable Mayor
and Members Town Commissioners
Town of Siler City
Siler City, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Siler City (the "Town") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 15, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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.

Town's Response to Findings

The Town's response to the noncompliance findings identified in our audit is described in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subject to our auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Town's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
November 15, 2023

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance to GAAP:
Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u> x </u>	yes	<u> </u>	no
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Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> </u>	yes	<u> x </u>	none reported
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Noncompliance material to financial statements noted	<u> </u>	yes	<u> x </u>	no
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Federal Awards

Identification of major Federal programs:

There are no major Federal awards.

State Awards

Identification of major State programs:

There are no major State awards.

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-001

Internal Controls over Financial Reporting

Material Weakness

Criteria: Certain accounts, particularly the cash accounts, were not properly and timely reconciled and adjusted as of June 30, 2021.

Condition: Reconciliations of certain cash, investment, accounts receivable, accounts payable, capital outlay and various other accounts were not being performed and reviewed in a timely manner.

Effect: The initial failure to reconcile various accounts noted in the condition above resulted in material adjusting journal entries during the audit process. The failure to reconcile cash timely resulted in a substantial delay in the conclusion of the audit for the year ended June 30, 2021.

Cause: The Town did not follow proper review and reconciliation processes for various accounts including cash as noted above in the condition section.

Recommendation: We recommend the Town establish more effective review procedures surrounding the account reconciliation policies and procedures, including the review of reconciliations on all accounts, especially cash, on a routine basis, whether monthly, quarterly or annually , based on the specific accounts and the nature of activity during the year.

View of responsible offices and planned corrective action: The Town agrees with this finding. Please refer to the corrective action plan.

TOWN OF SILER CITY, NORTH CAROLINA
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2021-002

Segregation of Duties

Material Weakness

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

Condition: Certain accounting processes are performed without a proper level of review.

Effect: Transactions could be mishandled.

Cause: There is a limited number of personnel to perform certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

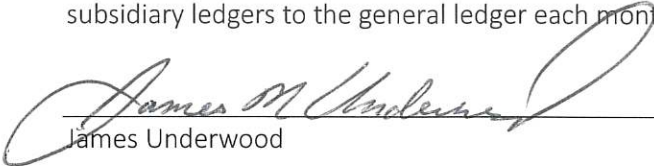
View of responsible offices and planned corrective action: The Town agrees with this finding. Please refer to the corrective action plan.



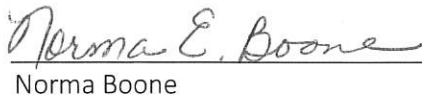
Town of Siler City

November 6, 2023

The unit was unable to provide timely financial information to the audit firm and provide the financial statements by the filing deadline because of a transition in accounting software along with multiple positions in the finance department having unexpected turnover most recently the former Finance Director in August 2023. To prevent recurrence of the late filing of financial statements (2022 & 2023 will both be late due to 2021's being finished in November 2023), once up to date staff will prepare timely monthly financial information for presentation to the governing board that includes condensed financial statements for each major fund as well as budget-to-actual reports for each fund; timely reconciliation of all bank statements to the general ledger each month; timely reconciliation of receivable and payables subsidiary ledgers to the general ledger each month.


James Underwood

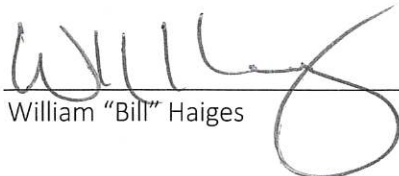

Lewis Fadely

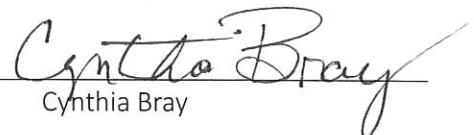

Norma Boone


Albert Alston


Thomas K. "Chip" Price III


Curtis Brown


William "Bill" Haiges


Cynthia Bray


Henry "Hank" Raper

TOWN OF SILER CITY, NORTH CAROLINA
Summary Schedule of Prior Year Audit Finding
For the Year Ended June 30, 2021

Finding 2020-001 **Material Weakness**

Status: Not corrected.

Finding 2020-002 **Material Weakness**

Status: Not corrected.