

REVIEWED

By SLGFD at 2:23 pm, Dec 20, 2021

TOWN OF TAYLORTOWN, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

TOWN OF TAYLORTOWN, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2021

MAYOR

JAMES THOMPSON

TOWN COUNCIL

MARVIN TAYLOR - MAYOR PRO-TEM

GARY BROWN

MITCHELL RATLIFF

BRIDGET COTTON

OTHER OFFICIALS

RITA MANESS

TOWN CLERK

WILLIAM MORGAN, JR.

TOWN ATTORNEY

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BASIC FINANCIAL STATEMENTS

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Rockingham, North Carolina 28380
(910) 557-1176

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylortown, North Carolina as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 9, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 37 and 38, respectively, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Taylortown, North Carolina. The individual fund statements and budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 2021 on our consideration of Town of Taylortown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Taylortown's internal control over financial reporting and compliance.



Rockingham, NC
November 5, 2021

Management's Discussion and Analysis

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

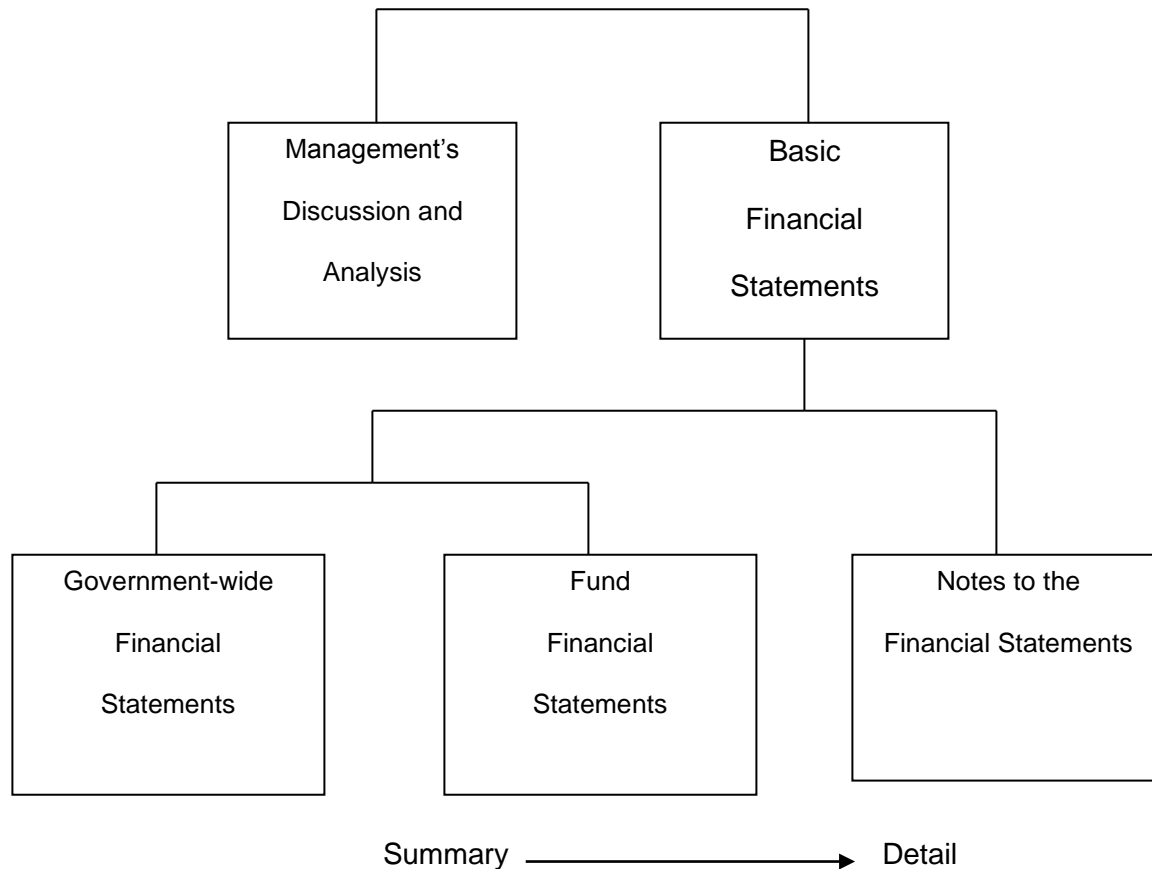
Financial Highlights

- The assets and deferred outflows of resources of the Town of Taylortown exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,114,892 (*net position*).
- The government's total net position increased by \$693,586 primarily due to inflows of local option sales tax revenues and grants that were higher than anticipated, coupled with tight control over general fund spending. Additionally, the Water and Sewer fund received significant federal grants for capital purposes.
- As of the close of the current fiscal year, the Town of Taylortown's general fund reported an ending fund balance of \$1,008,282, a decrease of \$186,802 in fund balance. Approximately 72.5 percent of this total amount, or \$731,394, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$731,394, or 97.3 percent of the total General Fund expenditures for the fiscal year.
- The Town of Taylortown's bond anticipation notes increased by \$963,000 during the current fiscal year.
- The Town forgave their prior and current year interfund loans between the General fund and the Water and Sewer fund of \$544,933. This resulted in a corresponding transfer of \$544,933 from the General fund to the Water and Sewer fund.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Taylortown'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. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Taylortown.

Required Components of Annual Financial Report



Basic Financial Statements

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

The next statements (Exhibits 3 through 9) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town'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, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, and debt service. Property taxes, sales and other taxes, and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Taylortown.

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

Fund Financial Statements

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

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

The Town of Taylortown maintains one individual governmental fund, the General Fund.

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

Proprietary Funds – The Town of Taylortown has one proprietary fund, an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Taylortown uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities. For financial reporting purposes, the Town consolidates its Water and Sewer Capital Project Fund into the Water and Sewer Fund.

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 19-37 of this report.

The Town of Taylortown's Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,033,329	\$ 1,222,779	\$ 718,887	\$ (250,717)	\$ 1,752,216	\$ 972,062
Capital assets	872,575	906,259	1,938,575	629,401	2,811,150	1,535,660
Deferred outflows of resources	<u>177,519</u>	<u>53,448</u>	<u>4,638</u>	<u>4,180</u>	<u>182,157</u>	<u>57,628</u>
Total assets and deferred outflows of resources	<u>2,083,423</u>	<u>2,182,486</u>	<u>2,662,100</u>	<u>382,864</u>	<u>4,745,523</u>	<u>2,565,350</u>
Long-term liabilities						
outstanding	282,735	87,379	7,865	6,675	290,600	94,054
Other liabilities	27,786	27,004	1,304,193	12,385	1,331,979	39,389
Deferred inflows of resources	<u>8,037</u>	<u>10,551</u>	<u>15</u>	<u>50</u>	<u>8,052</u>	<u>10,601</u>
Total liabilities and deferred inflows of resources	<u>318,558</u>	<u>124,934</u>	<u>1,312,073</u>	<u>19,110</u>	<u>1,630,631</u>	<u>144,044</u>
Net position						
Net investment in capital assets	872,575	906,259	975,575	629,401	1,848,150	1,535,660
Restricted	272,299	680,285	992,853	-	1,265,152	680,285
Unrestricted	<u>619,991</u>	<u>471,008</u>	<u>(618,401)</u>	<u>(265,647)</u>	<u>1,590</u>	<u>205,361</u>
Total net position	<u>\$ 1,764,865</u>	<u>\$ 2,057,552</u>	<u>\$ 1,350,027</u>	<u>\$ 363,754</u>	<u>\$ 3,114,892</u>	<u>\$ 2,421,306</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Taylortown exceeded liabilities and deferred inflows by \$3,114,892 as of June 30, 2021. The Town's net position increased by \$693,586 for the fiscal year ended June 30, 2021. The smaller portions 0% and 40.6% reflect the Town's unrestricted net position and restricted net position, respectively. The largest portion of the Town of Taylortown net position 59.4% reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) that was issued to acquire those items. The Town of Taylortown uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Taylortown'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.

The Town of Taylortown's Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 65,859	\$ 62,952	\$ 232,239	\$ 229,393	\$ 298,098	\$ 292,345
Operating grants and contributions	76,428	23,367	-	-	76,428	23,367
Capital grants and contributions	-	-	499,907	-	499,907	-
General revenues:						
Property taxes	630,711	628,551	-	-	630,711	628,551
Grants, contributions and other taxes not restricted to specific programs	298,007	259,121	-	-	298,007	259,121
Other revenues	39,406	6,302	33	-	39,439	6,302
Total revenues	<u>1,110,411</u>	<u>980,293</u>	<u>732,179</u>	<u>229,393</u>	<u>1,842,590</u>	<u>1,209,686</u>
Expenses:						
General government	423,808	359,809	-	-	423,808	359,809
Public safety	372,522	391,961	-	-	372,522	391,961
Transportation	20,499	35,365	-	-	20,499	35,365
Environmental protection	41,336	37,215	-	-	41,336	37,215
Water and sewer	-	-	290,839	257,295	290,839	257,295
Total expenses	<u>858,165</u>	<u>824,350</u>	<u>290,839</u>	<u>257,295</u>	<u>1,149,004</u>	<u>1,081,645</u>
Increase in net position before transfers	252,246	155,943	441,340	(27,902)	693,586	128,041
Transfers	<u>(544,933)</u>	<u>-</u>	<u>544,933</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	(292,687)	155,943	986,273	(27,902)	693,586	128,041
Net position July 1,	<u>2,057,552</u>	<u>1,901,609</u>	<u>363,754</u>	<u>391,656</u>	<u>2,421,306</u>	<u>2,293,265</u>
Net position June 30	<u>\$ 1,764,865</u>	<u>\$ 2,057,552</u>	<u>\$ 1,350,027</u>	<u>\$ 363,754</u>	<u>\$ 3,114,892</u>	<u>\$ 2,421,306</u>

Governmental activities: Governmental activities decreased the Town's net position by \$292,687.

The key elements of this increase were as follows:

- Expenditures exceeded revenues by \$292,687. The increase in revenue was \$130,118 due to higher than expected levels of sales tax revenues.
- The Town lowered allocation of salary and benefits reimbursement between General fund and Water and Sewer fund by 30% in current year therefore causing General fund expenditures to be higher than the previous year.
- Transferred \$544,933 to the Water and Sewer fund to forgive the prior and current year interfund loan with the Water and Sewer fund.

Business-type activities: Business-type activities increased the Town's net position by \$986,273.

The key elements of this decrease were as follows:

- Revenues exceeded expenditures by \$451,744. Water & Sewer grant revenue increased by \$499,907 related to their USDA Water and Sewer Project in current year. Related expenditures were capitalized as construction in progress.
- Received transfer of \$544,933 from the General fund to forgive the prior and current year interfund loan with the General fund.
- Restricted net position in the Water and Sewer fund increased due to the debt service related to bond anticipation notes that come due in fiscal year 2022. These notes will be repaid upon issuance of Water and Sewer Revenue Bonds.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Taylortown. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$731,394, while total fund balance equaled \$1,008,282. 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 97.3 percent of total General Fund expenditures, while total fund balance represents 134.1 percent of that same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. 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 amendments served to increase the budget to account for increased expectations of sales tax revenues. The General Fund unrestricted budget revenue increased \$35,000 due to substantial increase in local option sales tax during the year. The change in allocation percent of salary and benefits caused the increase in budget expenditures by \$20,000.

Proprietary Funds. The Town of Taylortown's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$(618,401) due to the increase in restricted net assets under bond anticipation loans that come due in fiscal year 2022 that are subject to restrictions by the USDA. The total increase in net position was \$986,273. Depreciation is \$39,474 of expenditures. The Town realized capital contributions of \$499,907 due to their Water and Sewer Capital Project Fund associated USDA grant.

Capital Asset and Debt Administration

Capital assets. The Town of Taylortown's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,811,150 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles. During the year, there were no capital additions in the Governmental activities and \$1,348,648 of construction in progress in the Business-type activities. The additions to construction in progress were due to progress made on the Water and Sewer USDA supported capital project.

Town of Taylortown's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land and construction in progress	\$ 386,058	\$ 386,058	\$ 1,462,907	\$ 114,259	\$ 1,848,965	\$ 500,317
Buildings and improvements	427,824	453,078	475,668	515,142	903,492	968,220
Machinery and equipment	43,232	44,962	-	-	43,232	44,962
Vehicles	15,461	22,161	-	-	15,461	22,161
Total	<u>\$ 872,575</u>	<u>\$ 906,259</u>	<u>\$ 1,938,575</u>	<u>\$ 629,401</u>	<u>\$ 2,811,150</u>	<u>\$ 1,535,660</u>

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

Long-term Debt. As of June 30, 2021, the Town of Taylortown had debt anticipation notes of \$963,000 and total long-term debt of \$1,260,761.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Bond anticipation notes	\$ -	\$ -	\$ 963,000	\$ -	\$ 963,000	\$ -
Net pension liability-LGERS	179,072	58,650	7,461	5,800	186,533	64,450
Total pension liability-LEO	96,906	24,425	-	-	96,906	24,425
Compensated absences	13,514	8,608	808	1,751	14,322	10,359
Totals	<u>\$ 289,492</u>	<u>\$ 91,683</u>	<u>\$ 971,269</u>	<u>\$ 7,551</u>	<u>\$ 1,260,761</u>	<u>\$ 99,234</u>

Town of Taylortown's Outstanding Debt. The Town of Taylortown's total debt increased by \$1,161,527 (1,170.5%) during the current fiscal year. The key factors in this increase was an increase in bond anticipation notes of \$963,000, an increase of \$122,083 in the net pension liability for the Local Government Employees Retirement System (LGERS), an increase of \$72,481 in Law Enforcement Officers' Special Separation Allowance and an increase of \$3,963 in compensated absences. The bond anticipation notes were issued to support the USDA supported Water and Sewer Capital Project Fund. Bonds will be sold in fiscal year 2022 to repay the notes.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Taylortown is \$10,039,501.

Additional information regarding the Town of Taylortown's long-term debt can be found in NOTE 3.B.5. of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Increase in tax and water/sewer rates have greatly increased the financial stability of the Town.
- The Town commenced improvements to their water/sewer system through USDA grants and loans during the year.

Impact of Coronavirus on Town

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2022, the General Fund budget increased by approximately 2.1% due to anticipating increased revenues in shared state revenue and sanitation fees in the coming fiscal year. Additionally, the Town received \$136,721 in American Rescue Plan Act funds in fiscal year 2022.

Business - type Activities: For the fiscal year ending June 30, 2022, the Water and Sewer Fund budget increased by approximately 6.5% due to an increase the water and sewer rates in the coming fiscal year.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Taylortown, Post Office Box 1274, Pinehurst, North Carolina 28370.

FINANCIAL SECTION

TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2021

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 752,423	\$ 362,668	\$ 1,115,091
Taxes receivables (net)	4,018	-	4,018
Accounts receivable (net)	3,045	22,470	25,515
Due from other governments	64,897	326,749	391,646
Prepaid expense	4,589	-	4,589
Restricted cash and cash equivalents	204,357	7,000	211,357
Total current assets	1,033,329	718,887	1,752,216
Non-current assets			
Capital assets			
Land and construction in progress	386,058	1,462,907	1,848,965
Other capital assets, net of depreciation	486,517	475,668	962,185
Total capital assets	872,575	1,938,575	2,811,150
Total assets	1,905,904	2,657,462	4,563,366
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals-LGERS	111,301	4,638	115,939
Pension deferrals-LEO	66,218	-	66,218
Total deferred outflows of resources	177,519	4,638	182,157
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	21,029	323,385	344,414
Accrued interest payable	-	10,404	10,404
Customer deposits	-	7,000	7,000
Compensated absences	6,757	404	7,161
Bond anticipation notes-current	-	963,000	963,000
Total current liabilities	27,786	1,304,193	1,331,979
Long-term liabilities			
Compensated absences	6,757	404	7,161
Net pension liability-LGERS	179,072	7,461	186,533
Total pension liability-LEO	96,906	-	96,906
Total noncurrent liabilities	282,735	7,865	290,600
Total liabilities	310,521	1,312,058	1,622,579
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals-LGERS	359	15	374
Pension deferrals-LEO	7,678	-	7,678
Total deferred inflows of resources	8,037	15	8,052
NET POSITION			
Net investment in capital assets	872,575	975,575	1,848,150
Restricted for:			
Stabilization by State Statute	67,942	-	67,942
Streets-Powell Bill	204,357	992,853	1,197,210
Unrestricted	619,991	(618,401)	1,590
Total net position	\$ 1,764,865	\$ 1,350,027	\$ 3,114,892

TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for	Operating Grants and	Capital Grants and	Primary Government		
		Services	Contributions	Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 423,808	\$ 1,715	\$ -	\$ -	\$ (422,093)	\$ -	\$ (422,093)
Public safety	372,522	193	54,271	-	(318,058)	-	(318,058)
Transportation	20,499	-	22,157	-	1,658	-	1,658
Environmental protection	41,336	63,951	-	-	22,615	-	22,615
Total governmental activities	<u>858,165</u>	<u>65,859</u>	<u>76,428</u>	<u>-</u>	<u>(715,878)</u>	<u>-</u>	<u>(715,878)</u>
Business-type activities							
Water and sewer	290,839	232,239	-	499,907	-	441,307	441,307
Total business-type activities	<u>290,839</u>	<u>232,239</u>	<u>-</u>	<u>499,907</u>	<u>-</u>	<u>441,307</u>	<u>441,307</u>
Total primary government	<u>\$ 1,149,004</u>	<u>\$ 298,098</u>	<u>\$ 76,428</u>	<u>\$ 499,907</u>	<u>\$ (715,878)</u>	<u>\$ 441,307</u>	<u>\$ (274,571)</u>
General revenues							
Taxes							
Property taxes, levied for general purposes					630,711	-	630,711
Unrestricted intergovernmental revenues					298,007	-	298,007
Unrestricted investment earnings					35	33	68
Miscellaneous					39,371	-	39,371
Transfers					(544,933)	544,933	-
Total general revenues and transfers					<u>423,191</u>	<u>544,966</u>	<u>968,157</u>
Change in net assets					(292,687)	986,273	693,586
Net position, beginning					<u>2,057,552</u>	<u>363,754</u>	<u>2,421,306</u>
Net position, ending					<u>\$ 1,764,865</u>	<u>\$ 1,350,027</u>	<u>\$ 3,114,892</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

Exhibit 3

	Major Fund	Total Primary Governmental
	General	
ASSETS		
Cash and cash equivalents	\$ 752,423	\$ 752,423
Restricted cash and cash equivalents	204,357	204,357
Receivables, net		
Taxes	4,018	4,018
Accounts	3,045	3,045
Due from other governments	64,897	64,897
Prepaid expenses	4,589	4,589
Total assets	<u>\$ 1,033,329</u>	<u>\$ 1,033,329</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 21,029	\$ 21,029
Total liabilities	<u>21,029</u>	<u>21,029</u>
DEFERRED INFLOWS OF RESOURCES		
Property tax receivable	<u>4,018</u>	<u>4,018</u>
Total deferred inflows of resources	<u>4,018</u>	<u>4,018</u>
Fund balances		
Non-spendable		
Prepaid expenses	4,589	4,589
Restricted		
Stabilization by State Statute	67,942	67,942
Streets - Powell Bill	204,357	204,357
Unassigned	<u>731,394</u>	<u>731,394</u>
Total fund balances	<u>1,008,282</u>	<u>1,008,282</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,033,329</u>	<u>\$ 1,033,329</u>
Fund balance as reported in the balance sheet - governmental funds		\$ 1,008,282
Amounts reported for governmental activities in the statement of net position are different because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		872,575
Deferred outflows of resources related to pensions are not reported in the funds-LGERS & LEO		177,519
Compensated absences not expected to be materially liquidated with expendable available resources		(13,514)
Deferred inflows of resources related to pensions are not reported in the funds		(8,037)
Total pension liability-LGERS & LEO		(275,978)
Earned revenues considered deferred inflows in fund statements		<u>4,018</u>
Net position of governmental activities		<u>\$ 1,764,865</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

Exhibit 4

	<u>Major Funds</u>	
	<u>General</u>	<u>Total</u>
REVENUES		
Ad valorem taxes	\$ 630,083	\$ 630,083
Unrestricted intergovernmental	298,007	298,007
Restricted intergovernmental	76,428	76,428
Sales and services	65,859	65,859
Investment earnings	35	35
Other revenues	<u>39,371</u>	<u>39,371</u>
Total revenues	<u>1,109,783</u>	<u>1,109,783</u>
EXPENDITURES		
Current		
General government	368,319	368,319
Public safety	325,127	325,127
Transportation	17,222	17,222
Environmental protection	<u>40,984</u>	<u>40,984</u>
Total expenditures	<u>751,652</u>	<u>751,652</u>
Revenues over expenditures	<u>358,131</u>	<u>358,131</u>
Other financing sources		
Transfer to Water and Sewer fund	<u>(544,933)</u>	<u>(544,933)</u>
Total other financing sources	<u>(544,933)</u>	<u>(544,933)</u>
Net change in fund balance	(186,802)	(186,802)
Fund balance, beginning	<u>1,195,084</u>	<u>1,195,084</u>
Fund balance, ending	<u>\$ 1,008,282</u>	<u>\$ 1,008,282</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	(186,802)
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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. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal

Capital outlay	-
Depreciation	(33,684)

Contributions to the pension plan in the current fiscal year are not included on the statement of activities	21,684
--	--------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in deferred revenue for tax revenues	628

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

Compensated absences	(4,906)
Pension expense-LGERS	(74,527)
Pension expense-LEO	<u>(15,080)</u>

Total change in net position of governmental activities	<u>(292,687)</u>
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TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

Exhibit 6

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 620,650	\$ 620,650	\$ 630,083	\$ 9,433
Unrestricted intergovernmental	225,250	260,250	298,007	37,757
Restricted intergovernmental	23,600	23,600	76,428	52,828
Sales and services	72,740	73,840	65,859	(7,981)
Investment earnings	1,500	1,500	35	(1,465)
Other revenues	19,600	15,000	39,371	24,371
Total revenues	963,340	994,840	1,109,783	114,943
EXPENDITURES				
Current				
General government	434,611	454,251	368,319	85,932
Public safety	434,729	439,729	325,127	114,602
Transportation	54,000	56,000	17,222	38,778
Environmental protection	40,000	44,860	40,984	3,876
Total expenditures	963,340	994,840	751,652	243,188
Revenues over expenditures	-	-	358,131	358,131
Other financing sources				
Transfer to Water and Sewer fund	-	-	(544,933)	(544,933)
Total other financing sources	-	-	(544,933)	(544,933)
Net change in fund balance	\$ -	\$ -	(186,802)	\$ (186,802)
Fund balance, beginning			1,195,084	
Fund balance, ending			<u>\$ 1,008,282</u>	

TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

Exhibit 7

	<u>Enterprise Fund</u> Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 362,668
Restricted cash and cash equivalents	7,000
Accounts receivable	22,470
Due from other Governments	326,749
Total current assets	<u>718,887</u>
Capital assets	
Land and construction in progress	1,462,907
Other capital assets, net of depreciation	475,668
Capital assets, net	<u>1,938,575</u>
Total assets	<u>2,657,462</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	4,638
Total deferred outflows of resources	<u>4,638</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	268,442
Retainage payable	54,943
Accrued interest payable	10,404
Customer deposits	7,000
Compensated absences-current	404
Bond anticipation notes	963,000
Total current liabilities	1,304,193
Long-term liabilities	
Compensated absences-noncurrent	404
Net pension liability	7,461
Total long-term liabilities	<u>7,865</u>
Total liabilities	<u>1,312,058</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	15
Total deferred outflows of resources	<u>15</u>
NET POSITION	
Net investment in capital assets	975,575
Restricted pursuant to loan requirements	992,853
Unrestricted	<u>(618,401)</u>
Total net position	<u>\$ 1,350,027</u>

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

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TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 8

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 225,869
Reconnection fees	730
Other revenue	<u>5,640</u>
Total operating revenues	<u>232,239</u>
OPERATING EXPENSES	
Administration	30,537
Water and sewer operations	210,424
Depreciation	<u>39,474</u>
Total operating expenses	<u>280,435</u>
Operating (loss)	(48,196)
NONOPERATING REVENUE AND (EXPENSE)	
Interest expense	(10,404)
Interest revenue	<u>33</u>
Total nonoperating revenue and (expense)	<u>(10,371)</u>
Income (loss) before capital contributions and transfers	<u>(58,567)</u>
Capital contributions	499,907
Transfer from the General fund	<u>544,933</u>
Total capital contributions and transfers	<u>1,044,840</u>
Change in net position	986,273
Total net position, beginning	<u>363,754</u>
Total net position, ending	<u>\$ 1,350,027</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2021

Exhibit 9

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 163,280
Cash paid for goods and services	(163,489)
Cash paid to or on behalf of employees for services	(13,375)
Other revenue	5,640
Net cash (used) by operating activities	<u>(7,944)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,348,648)
Capital contributions	499,907
Bond anticipation notes issued	963,000
Interest expense	(10,404)
Net cash (used) by capital and related financing activities	<u>103,855</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in advances from other funds	104,965
Decrease in due to other funds	(544,933)
Transfer from other funds	544,933
Total cash flows from noncapital financing activities	<u>104,965</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	33
Total cash flows from investing activities	<u>33</u>
Net increase in cash and cash equivalents	200,909
Balances, beginning	<u>168,759</u>
Balances, ending	<u>\$ 369,668</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating loss	\$ (48,196)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	39,474
Changes in assets and liabilities:	
(Increase) in accounts receivable	(328,727)
Increase in accounts payable and accrued liabilities	318,626
Increase in accrued interest payable	10,404
Increase in customer deposits	250
(Decrease) in compensated absences	(943)
(Increase) Decrease in deferred outflows of resources for pensions	(458)
Increase (Decrease) in net pension liabilities	1,661
Increase (Decrease) in deferred inflows of resources for pensions	(35)
Total adjustments	<u>40,252</u>
Net cash (used) by operating activities	<u>\$ (7,944)</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Taylortown, North Carolina, is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, the Town would include any component unit for which it is financially accountable. For the year ended June 30, 2021, no component units were included in the financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. 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, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings. The Town had no nonmajor governmental or enterprise funds.

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects fund has been included in the supplemental information.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

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

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 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 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 nonoperating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Taylortown because the tax is levied by Moore County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes, are reported as general revenues rather than program revenues. Grant revenues which

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Budgetary Data

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

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

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town 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 reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Powell Bill funds are classified as restricted because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4. The Town had cash and cash equivalents restricted for Powell Bill of \$204,357. Customer deposits held by the Town before any services are provided are restricted to the service to which the deposit was collected. The Town had cash and cash equivalents of \$7,000 restricted for customer deposits.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Ad Valorem Taxes Receivable

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

Allowance for Uncollectible Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for uncollectible accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Prepaid expenses

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.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$100,000; and furniture and equipment, and vehicles, \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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. The road network is reported at historical costs as reported to the North Carolina Department of Transportation under the Powell Bill program and the water and sewer system assets are reported at their historical costs. 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>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Machinery and equipment	5-15
Vehicles	4
Infrastructure	10-40

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 pension deferrals relate to LGERS and LEO that meet this criterion. 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 meet the criterion for this category - property taxes receivable and pension deferrals.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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, as well as issuance costs, 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.

Compensated Absences

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

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

Net position/Fund Balances

Net position

Net position in government-wide and proprietary fund financial statements 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.

Prepaid expenses – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid items, 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.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balances (Continued)

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

Outstanding encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Taylortown's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. There were no committed balances at June 30, 2021.

Assigned fund balance – portion of fund balance that Town of Taylortown intends to use for specific purpose.

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 appropriations. There were no such amounts assigned as of June 30, 2021.

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

F. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Taylortown's employer contributions are recognized when due and the Town of Taylortown 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.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Other

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 these estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board by \$12,124 and interest expense of \$10,404. Additionally, transfers made from the General fund to the Water and Sewer fund to write off uncollectible interfund loans exceeded the authorized appropriations by \$544,933. Management and the board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$1,226,326 and a bank balance of \$1,554,981. Of the bank balance, \$353,819 was covered by federal depository insurance and none was covered by collateral held under the pooling method. The Town had petty cash of \$20.

Investments

At June 30, 2021, the Town had \$100,102 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as June 30, 2021. The Town has no policy regarding credit risk, interest rate risk or custodial credit risk.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Receivables - Allowance for Uncollectible Accounts

The amounts presented in the balance sheet and the statement of net position is net of the following allowances for uncollectible accounts:

General Fund - Taxes Receivable	\$ 400
General Fund – Accounts Receivable	3,590
Enterprise Fund - Accounts Receivable	13,025
Total	<u>\$ 17,015</u>

Due from (to) Other Governmental Agencies

At June 30, 2021, funds due from (to) other governmental agencies consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Local option sales tax	\$ 43,398	\$ -
State shared revenues	9,358	-
Sales tax refund	3,716	-
Fire service from Pinehurst	2,698	-
Property and vehicle taxes collected by County	5,727	-
Sales tax receivable	-	30,049
USDA grant	-	296,700
Total	<u>\$ 64,897</u>	<u>\$ 326,749</u>

Capital Assets

Primary Government

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities				
Capital assets not being depreciated				
Land and construction in progress	\$ 386,058	\$ -	\$ -	\$ 386,058
Capital assets being depreciated				
Buildings and improvements	918,473	-	-	918,473
Machinery and equipment	115,112	-	-	115,112
Vehicles	70,121	-	2,500	67,621
Total capital assets being depreciated	1,103,706	-	2,500	1,101,206
Less accumulated depreciation for				
Buildings and improvements	465,395	25,254	-	490,649
Machinery and equipment	70,150	1,730	-	71,880
Vehicles	47,960	6,700	2,500	52,160
Total accumulated depreciation	583,505	33,684	2,500	614,689
Total capital assets being depreciated, net	520,201	(33,684)	-	486,517
Governmental activity capital assets, net	<u>\$ 906,259</u>	<u>\$ (33,684)</u>	<u>\$ -</u>	<u>\$ 872,575</u>

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

General government	\$ 23,355
Public safety	6,700
Transportation	3,277
Environmental protection	352
Total depreciation expense	<u>\$ 33,684</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

A. Assets (Continued)

Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Land and construction in progress	\$ 114,259	\$ 1,348,648	\$ -	\$ 1,462,907
Capital assets being depreciated				
Plant and distribution system	1,507,187	-	-	1,507,187
Vehicles	9,619	-	-	9,619
Total capital assets being depreciated	1,516,806	-	-	1,516,806
Less accumulated depreciation for				
Plant and distribution system	992,045	39,474	-	1,031,519
Vehicles	9,619	-	-	9,619
Total accumulated depreciation	1,001,664	39,474	-	1,041,138
Total capital assets being depreciated, net	515,142	(39,474)	-	475,668
Business-type activity capital assets, net	\$ 629,401	\$ 1,309,174	\$ -	\$ 1,938,575

Construction Commitments

The Town has active construction projects as of June 30, 2021. At year-end, the Town's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Water and Sewer capital project	\$ 1,462,907	\$ 2,148,093

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Taylortown 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 Taylortown's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Taylortown was \$22,587 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 \$186,533 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.00522%, which was an increase of 0.00286% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$74,973. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,556	\$ -
Changes of assumptions	13,882	-
Net difference between projected and actual earnings on pension plan investments	26,249	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	29,665	374
Town contributions subsequent to the measurement date	22,587	-
Total	<u>\$ 115,939</u>	<u>\$ 374</u>

\$22,587 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 28,413
2023	33,237
2024	23,559
2025	7,769
2026	-
	<u>\$ 92,978</u>

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

Inflation	3.0 percent
Salary increases	3.50 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

1. Pension Plan Obligations (Continued)

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:

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 378,455	\$ 186,533	\$ 27,032

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 for the State of North Carolina.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

b. Law Enforcement Officers Special Separation Allowance

1. Plan Description.

The Town of Taylortown 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 Town law enforcement officers are covered by the Separation Allowance.

At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>4</u>
Total	<u>4</u>

2. Summary of Significant Accounting Policies

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

3. Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	1.93 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Inflation	2.50 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 Safety Mortality Table for Retirees, projected forward generationally from 2010 using MP-2019. Rates for male members are Set Forward 3 years and female members are Set Forward 1 year.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

4. Contributions.

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the 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 \$0 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 \$96,906. 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 \$15,080.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,830	\$ 7,056
Changes of assumptions	34,388	622
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 66,218</u>	<u>\$ 7,678</u>

There were no deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 9,538
2023	9,537
2024	7,348
2025	7,978
2026	8,560
Thereafter	<u>15,579</u>
	<u>\$ 58,540</u>

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

	1% Decrease (0.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$ 107,898	\$ 96,906	\$ 86,717

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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

Beginning balance	\$ 24,425
Service Cost	4,746
Interest on the total pension liability	796
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	28,634
Changes of assumptions or other inputs	38,305
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 96,906</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 actuarial experience study for the five-year period ended December 31, 2019.

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	\$ 74,973	\$ 15,080	\$ 90,053
Pension Liability	186,533	96,906	283,439
Proportionate share of the net pension liability	0.00522%	N/A	
Deferred of Outflows of Resources			
Difference between expected and actual experience	23,556	31,830	55,386
Changes of assumptions	13,882	34,388	48,270
Net difference between projected and actual earnings on plan investments	26,249	-	26,249
Changes in proportion and differences between contributions and proportionate share of contributions	29,665	-	29,665
Benefit payments and administrative costs paid subsequent to the measurement date	22,587	-	22,587
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	7,056	7,056
Changes of assumptions	-	622	622
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	374	-	374

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code 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. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$5,545 for the reporting year. No amounts were forfeited.

2. Other Employment Benefit

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefits amount. The Town considers these contributions to be immaterial.

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million 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.

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

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

The Town does not carry flood insurance as town buildings are not considered located on flood prone areas.

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 (town clerk) is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

5. Long-Term Obligations

Long-term debt obligations of the Town at June 30, 2021 consist of the following:

	Serviced by	
	Governmental Activities	Business-type Activities
\$963,000 Water and Sewer revenue bond anticipation note issued January 22, 2021 and due on April 22, 2022 at 2.48% interest. The notes will be repaid from \$963,000 USDA bond issue expected to be sold in the next fiscal year.	\$ -	\$ 963,000

Maturities of bond anticipation notes

The annual requirements to retire all debt outstanding, other than compensated absences and pensions, at June 30, 2021, including interest, are as follows:

	Governmental Activities		Business-type Activities		Total	
June 30, 2022	Principal	Interest	Principal	Interest	Principal	Interest
	\$ -	\$ -	\$ 963,000	\$ 29,853	\$ 963,000	\$ 29,853

Changes in long-term liabilities

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

	Balance			Balance	Current Portion
	July 1, 2020	Increases	Decreases	June 30, 2021	of Balance
Governmental activities:					
Compensated absences	\$ 8,608	\$ 6,585	\$ 1,679	\$ 13,514	\$ 6,757
Net pension liability (LGERS)	58,650	120,422	-	179,072	-
Total pension liability (LEO)	24,425	72,481	-	96,906	-
Governmental activities total	\$ 91,683	\$ 199,488	\$ 1,679	\$ 289,492	\$ 6,757
Business-type activities:					
Bond anticipation notes	\$ -	\$ 963,000	\$ -	\$ 963,000	\$ 963,000
Compensated absences	1,751	968	1,911	808	404
Net pension liability (LGERS)	5,800	1,661	-	7,461	-
Business-type activities total	\$ 7,551	\$ 965,629	\$ 1,911	\$ 971,269	\$ 963,404

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

5. Long-Term Obligations (Continued)

The Town is not in compliance with the covenants as to rates, fees, and charges in Section 3.1 of the Bond Order, for the issuance of the Water and Sewer Revenue Anticipation Notes, Series 2020 (Bond Anticipation Notes). Section 3.1 of the Bond Order requires the debt service coverage ratio to be no less than 100% of the annual principal and interest payments owed on the outstanding bonds. The debt service coverage ratio calculation for the year ended June 30, 2021 is as follows:

Operating revenues	\$ 232,239
Operating expenses*	240,736
Operating Income (loss)	(8,497)
Nonoperating revenues (expenses)**	-
Income available for debt service	-
Debt service, principal and interest paid (Revenue bond anticipation note only)	-
Debt service coverage ratio	0%

*Per rate covenants, this does not include the depreciation expense of \$39,474.

**Per rate covenants, this does not include revenue bond interest paid.

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$963,000 in water and sewer system revenue anticipation notes issued in 2020 (currently bond anticipation note). Proceeds from the bonds provided financing for various Water and Sewer fund improvements. The notes are payable solely from water and sewer customer net revenues and will be refinanced into Water and Sewer Revenue Bonds in fiscal year 2022. The total principal and interest remaining to be paid on the bonds is \$992,853. Principal and interest paid for the current year and total customer net revenues were \$0.

The terms of the bond agreement require that the Town engage a professional consultant to perform a rate study and obtain recommendations for operational improvements to be filed with the Local Government Commission in the event that the debt service coverage ratio is not met. To date, the Town has not requested such a study be conducted.

At June 30, 2021, the Town of Taylortown had a legal debt margin of \$10,039,501.

6. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Pension deferrals - LGERS	\$ 111,301	\$ 359
Pension deferrals - LEO	66,218	7,678
Business-type Activities:		
Pension deferrals - LGERS	4,638	15
Total	<u>\$ 182,157</u>	<u>\$ 8,052</u>
Balance Sheet – Governmental Fund		
Property tax receivable	<u>\$ -</u>	<u>\$ 4,193</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (Continued)

B. Liabilities (Continued)

7. Interfund Balances and Activity

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

From the General Fund to the Water and Sewer Fund to write off the balances of prior year and current year Interfund loans from the Water and Sewer fund to the General fund that have been deemed uncollectible.

\$ 544,933

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal Assisted Programs

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

On January 30, 2020, the World Health Organization declared the coronavirus "COVID-19" outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or "stay-at-home" restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets globally, including that of the Town. While it is unknown how long these conditions will last and what the complete financial impact will be, the Town is closely monitoring the impact of the COVID-19 pandemic on all aspects of their operations and are unable at this time to predict the continued impact that COVID-19 will have on their services, financial position, and operating results in future periods due to numerous uncertainties.

NOTE 5 – FUND BALANCE

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

Total fund balance – General Fund	\$ 1,008,282
Less:	
Prepaid expense-nonspendable	4,589
Stabilization by State Statute-restricted	67,942
Streets – Powell Bill-restricted	<u>204,357</u>
Remaining fund balance	<u>\$ 731,394</u>

NOTE 6 – SUBSEQUENT EVENT

On March 11, 2021, the American Rescue Plan Act of 2021 ("ARPA") was signed into law. The law appropriates \$1.9 trillion of federal funding for COVID-19 relief and economic recovery including provisions directly benefiting state and local governments. North Carolina is expecting to receive over \$8.6 billion for state and local government relief, \$3.2 billion of which is to be distributed to local governments via federal formulas. ARPA funds are restricted to use within broad categories outlined in the Act, though within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. State and local governments must obligate ARPA funds by December 31, 2024, and spend them by December 31, 2026. Subsequent to June 30, 2021, the Town received ARPA allocations of \$136,721. The Town is currently collaborating on a plan to utilize the funds received.

Required Supplemental Financial Data

This section contains additional information required by the Governmental Accounting Standards Board.

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

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

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>
Taylortown's proportion of the net pension liability (asset) (%)	0.00522%	0.00236%	0.00235%	0.00252%	0.00192%	0.00142%	0.00128%	0.00130%
Taylortown's proportion of the net pension liability (asset) (\$)	\$ 186,533	\$ 64,450	\$ 55,750	\$ 38,499	\$ 40,749	\$ 6,373	\$ (7,549)	\$ 15,670
Taylortown's covered payroll	\$ 200,268	\$ 181,478	\$ 153,112	\$ 160,113	\$ 105,232	\$ 97,000	\$ 97,796	\$ 97,850
Taylortown's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	93.14%	35.51%	36.41%	24.04%	38.72%	6.57%	(7.72%)	16.01%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS-LOCAL GOVERNMENT EMPLOYEE RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST EIGHT FISCAL YEARS*

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	\$ 22,587	\$ 18,821	\$ 14,903	\$ 12,233	\$ 12,258	\$ 7,070	\$ 7,017	\$ 6,998
Contributions in relation to the contractually required contribution	<u>22,587</u>	<u>18,821</u>	<u>14,903</u>	<u>12,233</u>	<u>12,258</u>	<u>7,070</u>	<u>7,017</u>	<u>6,998</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Taylortown's covered payroll	\$ 214,799	\$ 200,268	\$ 181,478	\$ 153,112	\$ 160,113	\$ 105,232	\$ 97,000	\$ 97,796
Contributions as a percentage of covered payroll	10.52%	9.40%	8.21%	7.99%	7.66%	6.72%	7.23%	7.16%

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 24,425	\$ 31,044	\$ 30,290	\$ 7,138	\$ 5,480
Service cost	4,746	1,889	2,691	2,087	1,526
Interest on the total pension liability	796	1,130	957	276	196
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience					
in the measurement of the total pension liability	28,634	(9,938)	(1,730)	18,634	-
Changes of assumptions or other inputs	38,305	300	(1,164)	2,155	(64)
Benefits payments	-	-	-	-	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 96,906</u>	<u>\$ 24,425</u>	<u>\$ 31,044</u>	<u>\$ 30,290</u>	<u>\$ 7,138</u>

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

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 96,906	\$ 24,425	\$ 31,044	\$ 30,290	\$ 7,138
Covered-employee Payroll	228,644	106,467	107,544	85,327	69,152
Total pension liability as a percentage of covered-employee payroll	42.38%	22.94%	28.87%	35.50%	10.32%

Notes to the schedules:

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

**INDIVIDUAL FUND
FINANCIAL SCHEDULES**

MAJOR GOVERNMENTAL FUND

General Fund – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For the Year Ended June 30, 2021

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues			
Ad valorem taxes			
Current year	\$ -	\$ 625,467	\$ -
Prior years	-	3,150	-
Penalties and interest	-	1,466	-
Tax discounts & refunds	-	-	-
Total	620,650	630,083	9,433
Unrestricted intergovernmental revenues			
Local option sales tax	-	244,646	-
Telecommunications tax	-	3,838	-
Utility franchise tax	-	39,587	-
Video franchise fee	-	2,261	-
Beer and wine tax	-	3,187	-
Sales tax refund	-	3,716	-
ABC profit distribution	-	772	-
Total	260,250	298,007	37,757
Restricted intergovernmental revenue			
Powell Bill allocation	-	21,586	-
State and federal grants	-	54,271	-
Solid waste disposal tax	-	571	-
Total	23,600	76,428	52,828
Sales and service			
Cemetery fees	-	1,200	-
Sanitation fees	-	63,951	-
Court fees	-	193	-
Park and recreation fees	-	515	-
Total	73,840	65,859	(7,981)
Investment earnings	1,500	35	(1,465)
Other revenues			
Rental income	-	30,300	-
Sale of assets	-	1,350	-
Miscellaneous	-	7,721	-
Total	15,000	39,371	24,371
Total revenues	994,840	1,109,783	114,943

TOWN OF TAYLORTOWN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Exhibit A-1
Page 2 of 3

	2021		Variance
	Budget	Actual	Positive (Negative)
Expenditures			
General government			
Governing body			
Salaries and employee benefits	-	28,419	-
Operating expenditures	-	181	-
Total	32,512	28,600	3,912
Administration			
Salaries and employee benefits	-	40,490	-
Operating expenditures	-	104,164	-
Total	201,462	144,654	56,808
Public buildings			
Salaries and employees benefits	-	88,437	-
Operating expenditures	-	106,628	-
Total	209,277	195,065	14,212
Youth, Senior & Taylortown Day services			
Operating expenditures	11,000	-	11,000
Total general government	454,251	368,319	85,932
Public safety			
Police			
Salaries and employee benefits	-	164,159	-
Operating expenditures	-	37,961	-
Total	290,529	202,120	88,409
Fire			
Fire service contract	130,000	123,007	6,993
Planning & Zoning			
Code enforcement	19,200	-	19,200
Total public safety	439,729	325,127	114,602
Transportation			
Street paving	-	5,970	-
Street lights	-	11,252	-
Total transportation	56,000	17,222	38,778

TOWN OF TAYLORTOWN, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2021

Exhibit A-1
Page 3 of 3

	2021		Variance
	Budget	Actual	Positive (Negative)
Environmental protection			
Sanitation			
Salaries and employee benefits	-	848	-
Contracted services	-	40,136	-
Total environmental protection	44,860	40,984	3,876
Total expenditures	994,840	751,652	243,188
Revenues over expenditures	-	358,131	358,131
Other financing sources			
Transfer to the Water and Sewer fund	-	(544,933)	(544,933)
Total other financing sources	-	(544,933)	(544,933)
Net change in fund balance	\$ -	(186,802)	\$ (186,802)
Fund balance, beginning		1,195,084	
Fund balance, ending		\$ 1,008,282	

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations.

Water and Sewer Capital Project Fund – This fund is a subfund of the water and sewer fund and is used to account for the Town's Water and Sewer USDA Capital Project.

TOWN OF TAYLORTOWN, NORTH CAROLINA

Exhibit B-1

WATER AND SEWER FUND

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Revenues			
Operating revenues			
Charges for services			
Water and Sewer charges	\$ -	\$ 225,869	\$ -
Reconnection fees	-	730	-
Other revenues	-	5,640	-
Total operating revenues	223,800	232,239	8,439
Investment earnings	100	-	(100)
Total revenues	223,900	232,239	8,339
Expenditures			
Water and sewer administration			
Salaries and employee benefits	-	12,432	-
Operating expenditures	-	17,880	-
Total Water and Sewer administration	33,300	30,312	2,988
Water and sewer operations			
Operating expenditures	-	210,424	-
Total Water and Sewer operations	198,300	210,424	(12,124)
Total expenditures	231,600	240,736	(9,136)
Operating income	(7,700)	(8,497)	(797)
Nonoperating expenses			
Interest expense	-	(10,404)	(10,404)
Other financing sources			
Transfer from General fund	-	544,933	544,933
Fund balance appropriated	7,700	-	(7,700)
Total other financing sources	7,700	544,933	537,233
Net change in fund balance	\$ -	526,032	\$ 526,032
Reconciling items			
Depreciation		\$ (39,474)	
Capital contributions		499,907	
Interest income on capital project		33	
Decrease in accrued vacation		943	
Increase (Decrease) in deferred outflows of resources for pensions		458	
(Increase) Decrease in net pension liabilities		(1,661)	
(Increase) Decrease in deferred inflows of resources for pensions		35	
Total reconciling items		460,241	
Change in net position		\$ 986,273	

TOWN OF TAYLORTOWN, NORTH CAROLINA
WATER AND SEWER CAPITAL PROJECT FUND

Exhibit B-2

SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
USDA Grant	\$ 2,648,000	\$ -	\$ 499,907	\$ 499,907	\$(2,148,093)
Interest income	-	-	33	33	33
Total revenues	<u>2,648,000</u>	<u>-</u>	<u>499,940</u>	<u>499,940</u>	<u>(2,148,060)</u>
Expenditures					
Construction	2,776,915	-	1,098,854	1,098,854	1,678,061
Engineering fees	432,500	110,500	205,500	316,000	116,500
Permitting	2,500	-	-	-	2,500
Land acquisition	9,000	-	-	-	9,000
Land ROW-Easement surveys	4,500	-	-	-	4,500
Surveying	31,500	-	-	-	31,500
Legal services	46,500	3,759	41,761	45,520	980
Contingencies	272,585	-	2,533	2,533	270,052
Interest-interim financing	35,000	-	-	-	35,000
Total expenditures	<u>3,611,000</u>	<u>114,259</u>	<u>1,348,648</u>	<u>1,462,907</u>	<u>2,148,093</u>
Revenues over (under) expenditures	(963,000)	(114,259)	(848,708)	(962,967)	33
Other financing sources					
Bond anticipation notes	<u>963,000</u>	<u>-</u>	<u>963,000</u>	<u>963,000</u>	<u>-</u>
Total other financing sources	<u>963,000</u>	<u>-</u>	<u>963,000</u>	<u>963,000</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ (114,259)</u>	<u>\$ 114,292</u>	<u>\$ 33</u>	<u>\$ 33</u>
Fund balance, beginning			<u>(114,259)</u>		
Fund balance, ending			<u>33</u>		

Other Schedules

This section includes additional information on property taxes.

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

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2021

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 627,518	\$ 625,491	\$ 2,027
2019-2020	3,608	-	2,840	768
2018-2019	548	-	128	420
2017-2018	555	-	27	528
2016-2017	434	-	35	399
2015-2016	113	-	34	79
2014-2015	75	-	6	69
2013-2014	72	-	6	66
2012-2013	39	-	7	32
2011-2012	36	-	6	30
2010-2011	60	-	60	-
	<u>\$ 5,540</u>	<u>\$ 627,518</u>	<u>\$ 628,640</u>	4,418
Less: Allowance for uncollectible accounts: Ad valorem taxes receivable				<u>400</u>
Ad valorem taxes receivable - net				<u>\$ 4,018</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 630,083
Penalties and interest				(1,466)
Releases				83
Taxes written off				<u>(60)</u>
Total collections and credits				<u>\$ 628,640</u>

TOWN OF TAYLORTOWN, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Fiscal Year Ended June 30, 2021

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 125,498,802	\$0.50	\$ 627,369	\$ 588,614	\$ 38,755
Penalties	-	\$0.50	175	175	-
Total	<u>\$ 125,498,802</u>		<u>\$ 627,544</u>	<u>\$ 588,789</u>	<u>\$ 38,755</u>
Abatements:	(5,196)	\$0.50	(26)	(10)	(16)
Total property valuation	<u>\$ 125,493,606</u>				
Net levy			627,518	588,779	38,739
Uncollected taxes at June 30, 2021			2,027	2,027	-
Current year's taxes collected			<u>\$ 625,491</u>	<u>\$ 586,752</u>	<u>\$ 38,739</u>
Current levy collection percentage			<u>99.68%</u>	<u>99.66%</u>	<u>100.00%</u>

COMPLIANCE

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 895-2899

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylortown, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Taylortown's basic financial statements, and have issued our report thereon dated November 5, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs 2021-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Taylortown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and questioned costs as item 2021-003.

Town of Taylortown's Response to Findings

The Town of Taylortown's response to the findings identified in our audit are described in the accompanying schedule of findings and responses/schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "Anderson Smith + Wike PLLC". The signature is written in a cursive, flowing style.

Rockingham, NC
November 5, 2021

220 East Washington Street
Post Office Box 697
Rockingham, North Carolina 28380
(910) 557-1176

Other Office Locations:
Seven Lakes, North Carolina
Gastonia, North Carolina
Statesville, North Carolina

Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance in Accordance
with OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Taylortown, North Carolina, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Taylortown's major federal programs for the year ended June 30, 2021. The Town of Taylortown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of finding and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Taylortown's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and responses/schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rockingham, NC
November 5, 2021

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified that are not considered to be material weaknesses Yes

Noncompliance material to financial statements noted Yes

Federal Awards

Internal control over major Federal programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified No

Type of auditor's report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(A)? Yes

Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Names of Federal Programs</u>
10.760	Waste and Wastewater Disposal System for Rural Communities (Rus Grant)
10.760	Waste and Wastewater Disposal System for Rural Communities (Rus Loan)

Dollar threshold used to distinguish between Type A and Type B Programs \$750,000

Auditee qualified as low-risk auditee? No

State Awards

None

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding 2021-001

MATERIAL WEAKNESS

Interfund Loans

- Criteria: Controls should be in place to ensure that adequate resources are available to liquidate interfund loans in a timely manner.
- Condition: Interfund balances have been growing for years between the General fund and the Water and Sewer fund and there has been no attempt to payback. Furthermore, the Water and Sewer fund did not have adequate resources to liquidate the loans thus resulting in a write off of the balances.
- Effect: Potential misstatement of financial statements.
- Cause: This is due to not properly budgeting revenues over the years and failing to adequately monitor the budget resulting in excess of expenditures over budgeted amounts.
- Recommendations: The Town should put internal controls in place to monitor the collectability of interfund balances prior to recording them. Management should take action to raise revenues in the Water and Sewer fund to ensure the fund is self-sustaining and able to meet its obligations.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan on page 56 of this audit report.

Finding 2021-002 – Repeat finding

SIGNIFICANT DEFICIENCY

Segregation of Duties

- Criteria: Segregation of duties provides checks and balances to reduce possibilities for misstatements resulting from errors in judgment, dishonesty, personal carelessness, distraction and fatigue
- Condition: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
- Effect: Potential misstatement of financial statements.
- Cause: The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.
- Recommendations: The Board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan on page 56 of this audit report.

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings (Continued)

Finding 2021-003

MATERIAL NON-COMPLIANCE

Criteria:	G.S. 159-8(a) states that all monies received and expended by a local government or public authority should be included in the budget ordinance,
Condition:	The Town of Taylortown incurred expenditures in excess of authorized appropriations made by the governing board. General fund transfers of \$544,933, Water and Sewer fund operating expenditures of \$12,124, and Water and Sewer fund interest costs of \$10,404 were incurred in excess of budgeted amounts.
Effect:	Money were spent that had not been appropriated.
Cause:	The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.
Recommendation:	Budget amendments should be adopted before expenditures exceeded budgeted expenditures in the budget ordinance.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan on page 56 of this audit report.

Section III – Federal Award Findings and Questioned Costs

Finding 2021-004

NON-COMPLIANCE

Federal Award:	U.S. Department of Agriculture Assistance Listing Number 10.760 – Waste and Wastewater Disposal System for Rural Communities (Rus Loan)
Criteria:	The bond covenants contained with the U.S.D.A.'s Rus Loan agreement require the Town to comply with a debt service coverage ratio of no less than 100% of the annual principal and interest payments payable on the outstanding bonds. In the event that the ratio is not achieved, the Town is required to engage a professional consultant to perform a rate study and evaluate the effectiveness of the Town's water and sewer operations. The request for and the results of the study must be provided to the Local Government Commission.
Condition:	The Town is not in compliance with the debt coverage ratio and has not engaged a professional consultant to evaluate the water and sewer rate structure and operational effectiveness of the Town's water and sewer operations as required.
Cause:	Management has not identified and engaged a professional consultant as required.
Effect:	The Town is not in compliance with the terms of the loan.
Recommendation:	The Town should take immediate action to engage a professional consultant to evaluate the operational effectiveness of the Town's water and sewer operations and obtain a rate study.

Views of responsible officials and planned corrective actions: The Council agrees with this finding and will adhere to the corrective action plan on page 56 of this audit report.

Section IV – State Award Findings and Questioned Costs

None reported

TOWN OF TAYLORTOWN
Post Office Box 1274
Pinehurst, North Carolina 28370
Telephone: 910-295-4010/Fax: 910-295-1696

To the members of the Town Council
Town of Taylortown, North Carolina

Re: Corrective Action Plan

Finding 2021-001

Name of Contact Person: Rita Maness, Town Clerk

Corrective Action: The Town will develop and implement internal controls surrounding the loaning of money between funds to ensure all balances lent are collectible and paid back in a timely manner. Furthermore, the Town will evaluate the rate structure within the Water and Sewer fund to ensure its operations are self-sustaining.

Anticipated Completion Date: Management will implement the above procedures by January 31, 2022.

Finding 2021-002

Name of Contact Person: Rita Maness, Town Clerk

Corrective Action Plan: The Board should continually keep in mind that internal controls are limited due to the size of the Town's staff and monitor accordingly.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding 2021-003

Name of Contact Person: Rita Maness, Town Clerk

Corrective Action: Management will review a budget-to-actual report prepared by the finance officer at each monthly board meeting. Budget amendments will be made as necessary.

Anticipated Completion Date: Management will implement the above procedures immediately.

Finding 2021-004

Name of Contact Person: Rita Maness, Town Clerk

Corrective Action: The Town will engage a consultant as required and communicate the request and the results of the rate study and operational improvements to the Local Government Commission.

Anticipated Completion Date: Management will implement the above procedures by January 31, 2022.

TOWN OF TAYLORTOWN, NORTH CAROLINA
PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2021

Finding: 2020 – 001

Status: Similar comment found in current year. See Finding 2021-002

Finding: 2020 – 002

Status: Similar comment found in current year. See Finding 2021-003

TOWN OF TAYLORTOWN, NORTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of Agriculture</u>				
Direct awards:				
Water and Wastewater Disposal Systems for Rural Communities (Rus Grant)	10.760		385,615	-
Water and Wastewater Disposal Systems for Rural Communities (Rus Loan)	10.760		963,000	-
Total U.S. Department of Agriculture			1,348,615	-
<u>U.S. Department of Justice</u>				
Passed through the:				
State of North Carolina Department of Public Safety				
Edward Byrne Memorial Justice Assistance	16.738	021121-1815	1,158	-
Edward Byrne Memorial Justice Assistance	16.738	121820-1815	2,616	-
Edward Byrne Memorial Justice Assistance	16.738	121620-1815	19,437	-
Total U.S. Department of Justice			23,211	-
<u>U.S. Department of Treasury</u>				
Passed through N.C. Pandemic Recovery Office, Division of Emergency Management				
Passed through Moore County COVID -19 Coronavirus Relief Fund	21.019	02-88-05	31,060	-
Total U.S. Department of Treasury			31,060	-
Total assistance federal programs			1,402,886	-
State Awards:				
<u>N.C. Department of Transportation</u>				
Powell Bill			-	9,495
Total assistance state programs			-	9,495
Total assistance			\$ 1,402,886	\$ 9,495

Note to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1 - Basis of Presentation:

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

Note 2 - Summary of Significant Accounting Policies:

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 - Indirect Cost Rate

The Town of Taylortown has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.