

REVIEWED

By SLGFD at 9:24 am, Dec 09, 2021

**Town of Youngsville
Youngsville, North Carolina**

Audited Financial Statements

Year Ended June 30, 2021

Town of Youngsville, North Carolina

Audited Financial Statements

For the Year Ended June 30, 2021

BOARD OF COMMISSIONERS MEMBERS

Fonzie Flowers, Mayor

Joseph Johnson

Cat Redd

Scott Brame

Larry Wiggins

Terry Hedlund

ADMINISTRATIVE AND FINANCIAL STAFF

Nathan Page, Town Administrator

Kari Patton-Motluck, Finance Officer

Town of Youngsville, North Carolina
Table of Contents
June 30, 2021

Financial Section:	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	16
Notes to the Financial Statements.....	17
 Required Supplemental Financial Data:	
Schedule of the Proportionate Share of the Net Pension Liability - Local Government Employees' Retirement System	39
Schedule of Contributions - Local Government Employees' Retirement System	40
Schedule of Changes in Total Pension Liability – Law Enforcement Officers' Special Separation Allowance	41
Schedule of Total Pension Liability as a Percentage of Covered Payroll	42

Town of Youngsville, North Carolina
Table of Contents (continued)
June 30, 2021

	<u>Page</u>
Individual Fund Statements and Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
General Fund	43
Pedestrian Plan Project Fund	46
Other Schedules:	
Schedule of Ad Valorem Taxes Receivable	47
Analysis of Current Tax Levy - Town-Wide Levy	48
Compliance Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Schedule of Findings and Questioned Costs	51
Corrective Action Plan	52
Summary Schedule of Prior Year Audit Findings	53

Financial Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
American Institute of CPAs
N. C. Association of CPAs

Independent Auditor's Report

To the Honorable Mayor and
Members of the Board of Commissioners
Youngsville, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Town of Youngsville ABC Board were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the Town of Youngsville, North Carolina as of June 30, 2021, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year 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 Management's Discussion and Analysis on pages 3 through 10, respectively, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 39 and 40 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 41 and 42. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

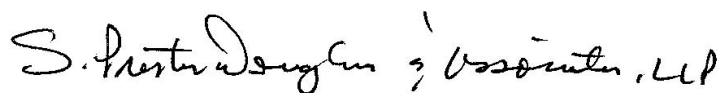
Supplementary and Other Information

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

The individual fund financial statements, budgetary schedules, and other 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. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021 on our consideration of the Town of Youngsville'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 Youngsville's internal control over financial reporting and compliance.



Lumberton, North Carolina
November 29, 2021

Management's Discussion and Analysis

**Town of Youngsville, North Carolina
Management's Discussion and Analysis
June 30, 2021**

Management's Discussion and Analysis

As management of the Town of Youngsville, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Youngsville for the fiscal year ending 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

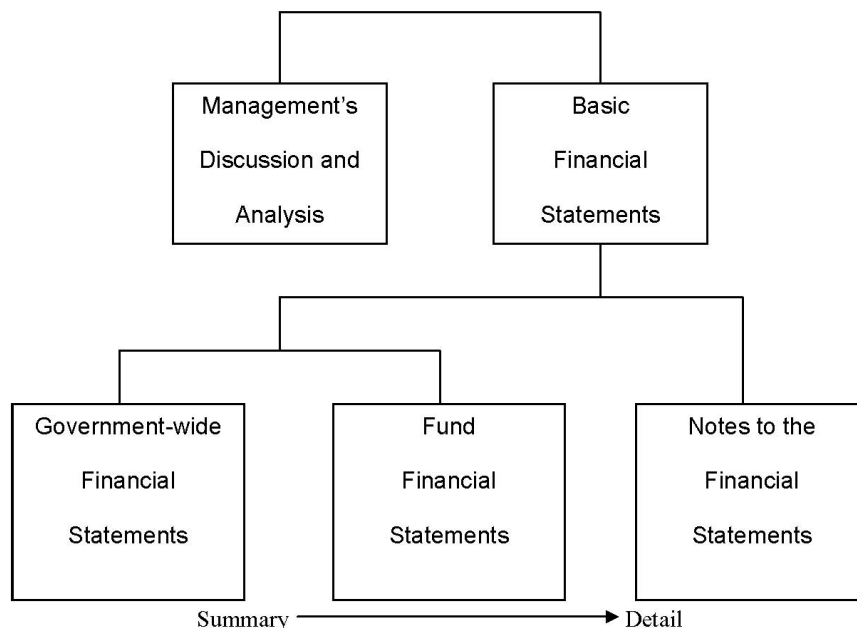
- The assets and deferred outflows of the Town of Youngsville exceeded its liabilities and deferred inflows at the close of the fiscal year by \$4,473,521 (net position).
- The government's total net position increased by \$871,185.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,286,543, or approximately 42.61% of total general fund expenditures for the year compared to 77.30% in the prior year.
- As of the close of the current fiscal year, the Town of Youngsville's governmental funds reported combined ending fund balances of \$2,884,630, with an increase of \$283,669 in fund balance.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Basic Financial Statements

The first two statements 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 are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the budgetary comparison statements.

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

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets 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 governmental activities include most of the Town's basic services such as general government, public safety, general administration, and parks and recreation. Property taxes and State and federal grant funds finance most of these activities.

The government-wide financial statements are found on pages 10 and 11 of this report.

Fund Financial Statements. The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Youngsville, like all other state and local governments, 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. The Town of Youngsville has only one type of fund – the governmental fund.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 monies that are unexpended 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 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 Youngsville 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.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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.

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 can be found on pages 17-38 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Youngsville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 39 of this report.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modification to State laws and State appropriations.

Government-Wide Financial Analysis

The Town of Youngsville's Net Position
Figure 2

	Governmental Activities 2021	Governmental Activities 2020
Current and other assets	\$ 3,643,217	\$ 2,961,019
Capital assets	4,364,104	2,157,872
Total assets	<u>8,007,321</u>	<u>5,118,891</u>
Deferred Outflows of Resources	<u>517,042</u>	<u>203,566</u>
Current liabilities	878,283	569,898
Long-term liabilities	3,164,499	1,138,598
Total liabilities	<u>4,042,782</u>	<u>1,708,496</u>
Deferred Inflows of Resources	<u>8,060</u>	<u>11,625</u>
Net position		
Net investment in capital assets	1,966,261	1,247,688
Restricted	554,055	335,328
Unrestricted	1,953,205	2,019,320
Total net position	<u>\$ 4,473,521</u>	<u>\$ 3,602,336</u>

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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 Youngsville exceeded liabilities and deferred inflows by \$4,473,521 as of June 30, 2021. The Town's net position increased by \$871,185 for the fiscal year ended June 30, 2021. The largest portion of net position is net investments in capital assets at \$1,966,261 or 43.95%. An additional portion of the Town of Youngsville's net position, \$554,055, represents resources that are subject to external restrictions on how they may be used.

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

- Continued diligence in the control of cash flow and expenditures. Current assets have increased by \$241,768.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 98.91 percent, which is comparable to the statewide average.

Town of Youngsville's Changes in Net Position
Figure 3

	Governmental Activities 2021	Governmental Activities 2020
Revenues:		
Program revenues:		
Charges for services	\$ 340,694	\$ 477,671
Operating grants and contributions	403,575	68,770
Capital Grants and contributions	-	115,830
General revenues:		
Property taxes	1,923,422	1,696,884
Other taxes	941,881	604,883
Other	151,309	256,003
Total revenues	<u>3,760,881</u>	<u>3,220,041</u>
Expenses:		
General government	645,342	637,980
Public safety	1,312,460	1,123,434
Transportation	288,328	204,116
Economic and physical develop.	234,560	101,055
Environmental protection	160,759	101,481
Cultural and recreation	220,213	158,201
Interest on long-term debt	28,034	7,725
Total expenses	<u>2,889,696</u>	<u>2,333,992</u>
Increase in net position	871,185	886,049
Net position, beginning	<u>3,602,336</u>	<u>2,716,287</u>
Net position - June 30	<u><u>\$ 4,473,521</u></u>	<u><u>\$ 3,602,336</u></u>

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities. Governmental activities increased the Town's net position by \$871,185, accounting for 100% of the total increase in the net position of the Town of Youngsville. The Town of Youngsville is committed to improving roads and public safety. Total revenues increased by \$540,840 compared to last fiscal year. Total expenses increased by \$555,704 compared to last fiscal year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Town of Youngsville's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Youngsville's financing requirements.

The general fund is the chief operating fund of the Town of Youngsville. At the end of the current fiscal year, the Town of Youngsville's fund balance available in the General Fund was \$2,286,543 is unassigned and available. The Town currently has an available fund balance of 42.61% of general fund expenditures.

At June 30, 2021, the governmental funds of the Town of Youngsville reported a combined fund balance of \$2,884,630 with a net increase in fund balance of \$283,699. This change in fund balance is comprised of an increase in fund balance in the General Fund, offset by a decrease in the fund balance in the Capital Projects Fund.

General Fund Budgetary Highlights

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

Two notable budget variances in the General Fund during the fiscal year included 1) the Economic Physical Development expenditures and 2) Installment Purchase Obligations Issued (see page 16). Both of the budget variances pertain to the construction of our Public Works Facility and Town Hall Renovation. The loan was approved by the board and LGC and the project started in FY21 and the anticipated completion date was February 2021, however, due to supply chain issues and labor shortages, the project was not completed until FY22. The remaining budget for the project was spent in FY22 and the remaining debt draw for the installment contract was completed in FY22

Capital Assets and Debt Administration

The Town of Youngsville's investment in capital assets for its governmental activities as of June 30, 2021 total \$4,364,104 (net of accumulated depreciation). These assets include land, right-of-way easements, sidewalks, furniture and equipment, buildings and park facilities. Town vehicle purchases during the year totaled \$357,027. This significant investment in vehicles replaced vehicles of its police fleet that was – on average – 8 years-old, and procured two garbage trucks for the Town's solid waste program. The Town also continued work on the Town Hall and Public Works Building with expenditures totaling \$2,021,418.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Town of Youngsville's Capital Assets
(net of depreciation)
Figure 4

	Governmental Activities	
	2021	2020
Land	\$ 78,007	\$ 78,007
Construction in progress	2,394,657	366,468
Buildings	831,855	855,486
Improvements	317,452	325,401
Equipment	35,097	41,122
Vehicles	707,036	491,388
Total capital assets, net	\$ 4,364,104	\$ 2,157,872

Additional information on the Town's capital assets can be found in the notes on page 24 of this report.

Long-term debt. As of June 30, 2021, the Town of Youngsville had total outstanding debt of \$3,329,818.

Outstanding Liabilities
Figure 5

	Governmental Activities	
	2021	2020
Installment purchase	\$ 2,039,189	\$ 447,688
Capital Lease	358,654	462,496
Compensated absences	61,802	44,653
Net pension obligation (LERS)	583,898	272,273
Total pension obligation (LEO)	286,275	150,299
Total outstanding debt	\$ 3,329,818	\$ 1,377,409

Town of Youngsville Outstanding Debt

The Town of Youngsville's total debt increased by \$1,952,409 during the past fiscal year. Most of the increase was related to new capital leases. Additional information regarding the Town of Youngsville's long-term debt can be found in Note 3 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.

- Continued growth in the area in and around the Town are expected to be positive factors on future revenues of the Town as there are new real property improvements scheduled for completion in the coming years.

Town of Youngsville, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Economic Factors and Next Year's Budgets and Rates (continued)

- During the first half of fiscal year 2022, the Town intends to draw the remaining approximately \$892,000 in new debt (via a previously approved installment financing contract) and \$725,000 from cash to fund the final construction costs for the renovation of Town Hall and new public works facility on South College Street. This transaction will accomplish the following objectives: [1] construct a more suitable meeting space in Town Hall for the Town Board of Commissioners; [2] provide additional office spaces for new employees that will be necessary to provide essential services as the community continues to grow; [3] allow the Town to perform basic and intermediate-level maintenance on its vehicle fleet in lieu of paying a third-party vendor for this service; and [4] allow the Town to perform solid waste collection services in lieu of paying a third-party vendor for this service.
- The town will soon begin the Locally Administered Projects Program (LAPP) Main Street Improvement Project. The project is currently forecasted to cost an estimated \$3.8M with an anticipated reimbursement from the NCDOT and Franklin County totaling \$2.9M resulting in a net cost to the town of approximately \$1.1M. LAPP is used to prioritize local transportation projects in the region that utilize federal funding and is managed through the Capital Area Metropolitan Planning Organization (CAMPO). Improvements are planned for Main Street (NC 96) from east College Street (US-1A) to Cross Street (0.28 miles). This transportation improvement project will accomplish the following objectives: [1] replace Franklin County's aging utility lines; [2] bicycle and pedestrian streetscape improvements including installation of ADA compliant sidewalks, curb extensions, crosswalks, and shared lane markings; and [3] resurfacing the street.

Governmental Activities: The budget allows the Town to meet obligations for the General Fund. Budgeted revenues are up slightly in total over the prior year, new real property projects being completed throughout the year. Budgeted operating expenditures in the General Fund are expected to increase slightly more than in past years due to increased materials costs and supply shortage issues, largely due to supply chains and complications from COVID. Budgeted one-time, capital expenditures will continue for the Town Hall and Public Works facility project, as well as the Main Street project mentioned above. These expenditures are anticipated to yield overall decreases in operating expenditures in future years as the Town performs functions it is currently contracting out to third parties at a premium (e.g., vehicle maintenance and solid waste collection). The Town also expects the streetscape project to reinforce the value of Youngsville's great downtown.

The renovated Town Hall building will provide additional workspaces for new Town employees in preparation for continued community growth. It will also provide a professional meeting space for the Town's Board of Commissioners. The new public works facility will allow the Town to bring its fleet maintenance and solid waste collections programs in-house (both programs were previously contracted-out to third-party vendors). Bringing these functions in-house will yield both long-term cost savings and a higher quality of service to residents.

In preparation for growth – and to remain competitive in the local government job market – the Town will continue to implement compensation adjustments in accordance with the multi-year plan outlined in the pay and classification study approved for implementation by the Board of Commissioners in 2019. The Town will also continue to focus on recruiting talented law enforcement officers to fill the recently re-aligned structure of its police department and ensure adequate resources (both human and financial) are available to prevent crime and respond to emergent public safety matters. Lastly, to increase internal control over financial reporting – and to enhance the segregation of duties in this area – the Town has hired an administrative specialist and accounting technician position to begin September 7th, 2021.

Request for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Youngsville, 134 US 1A South, Youngsville, NC 27596. One can also call (919) 925-3401 or send an email to customerservice@townofyoungsville.org for more information.

Basic Financial Statements

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

	Primary Government		Town of Youngsville ABC Board
	Governmental Activities	Total	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,075,889	\$ 3,075,889	\$ 307,856
Taxes receivables, net	45,623	45,623	-
Accounts receivable, net	213,672	213,672	-
Due from governments	219,105		
Due from component units	2,994	2,994	-
Prepaid expenses	22,663	-	-
Inventories	-	-	288,356
Restricted cash and cash equivalents	63,271	63,271	-
Total current assets	3,643,217	3,401,449	596,212
Noncurrent assets:			
Capital assets (Note 3):			
Land, and non-depreciable improvements	2,472,664	2,472,664	-
Other capital assets, net of depreciation	1,891,440	1,891,440	64,010
Total capital assets	4,364,104	4,364,104	64,010
Total assets	8,007,321	8,007,321	660,222
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	517,042	517,042	-
Total deferred outflows of resources	517,042	517,042	-
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	712,964	712,964	170,164
Current portion of installment purchases	89,449	89,449	-
Current portion of capital leases	51,242	51,242	-
Current portion of compensated absences	24,628	24,628	16,735
Total current liabilities	878,283	878,283	186,899
Long-term liabilities:			
Installment purchases	1,949,740	1,949,740	-
Capital leases payable	307,412	307,412	-
Compensated absences payable	37,174	37,174	-
Net pension liability	583,898	583,898	-
Total pension liability	286,275	286,275	-
Total long term liabilities	3,164,499	3,164,499	-
Total liabilities	4,042,782	4,042,782	186,899
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	8,060	8,060	-
Total deferred inflows of resources	8,060	8,060	-
NET POSITION			
Net investment in capital assets	1,966,261	1,966,261	64,010
Restricted for:			
Working capital	-	-	69,476
Streets	63,271	63,271	-
Stabilization by State Statute	490,784	490,784	-
Unrestricted	1,953,205	1,953,205	339,837
Total net position	\$ 4,473,521	\$ 4,473,521	\$ 473,323

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

Town of Youngsville, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Town of Youngsville ABC Board
					Governmental Activities	Total	
Primary government:							
Governmental Activities:							
General government	\$ 645,342	\$ 34,693	\$ -	\$ -	\$ (610,649)	\$ (610,649)	\$ -
Public safety	1,312,460	-	360,594	-	(951,866)	(951,866)	-
Transportation	288,328	-	42,981	-	(245,347)	(245,347)	-
Economic and physical development	234,560	-	-	-	(234,560)	(234,560)	-
Environmental protection	160,759	201,424	-	-	40,665	40,665	-
Cultural and recreational	220,213	104,577	-	-	(115,636)	(115,636)	-
Interest on long-term debt	28,034	-	-	-	(28,034)	(28,034)	-
Total governmental activities	2,889,696	340,694	403,575	-	(2,145,427)	(2,145,427)	-
Component Unit:							
Town of Youngsville ABC Board	\$ 2,199,145	\$ 2,335,162	\$ -	\$ -	-	-	136,017
Total component unit	\$ 1,400,099	\$ 1,410,440	\$ -	\$ -	-	-	136,017
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,923,422	1,923,422	-
Other taxes					941,881	941,881	-
Investment earnings, unrestricted					4,515	4,515	-
Miscellaneous, unrestricted					146,794	146,794	246,209
Total general revenues					3,016,612	3,016,612	246,209
Change in net position					871,185	871,185	382,226
Net position, beginning					3,602,336	3,602,336	91,097
Net position, ending					\$ 4,473,521	\$ 4,473,521	\$ 473,323

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

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

	Major Funds		Total
	General Fund	Pedestrian Plan Project Fund	Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,975,950	\$ 99,939	\$ 3,075,889
Restricted cash and cash equivalents	63,271	-	63,271
Taxes receivable, net	45,623	-	45,623
Accounts receivable, net	213,672	-	213,672
Prepaid expenses	22,663	-	22,663
Due from other funds	55,013	-	55,013
Due from government	219,105	-	219,105
Due from component unit	2,994	-	2,994
Total assets	\$ 3,598,291	\$ 99,939	\$ 3,698,230
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 712,070	\$ 894	\$ 712,964
Due to other funds	-	55,013	55,013
Total liabilities	712,070	55,907	767,977
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes receivable	45,623	-	45,623
Total deferred inflows of resources	45,623	-	45,623
<u>FUND BALANCES</u>			
Restricted			
Stabilization by State Statute	490,784	-	490,784
Streets - Powell Bill	63,271	-	63,271
Unassigned	2,286,543	44,032	2,330,575
Total fund balances	2,840,598	44,032	2,884,630
Total liabilities, deferred inflows of resources and fund balances	\$ 3,598,291	\$ 99,939	\$ 3,698,230

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

Town of Youngsville, North Carolina
Balance Sheet
Governmental Funds (continued)
June 30, 2021

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

Total Fund Balance, Governmental Funds	\$	2,884,630
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	5,472,878
Accumulated depreciation	<u>(1,108,774)</u>	4,364,104
Deferred outflows of resources related to pensions are not reported in the fund statements.		517,042
Earned revenues considered deferred inflows of resources in fund statements		45,623
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Gross long-term debt	\$	(2,397,843)
Compensated absences		(61,802)
Net pension liability		(583,898)
Total pension liability	<u>(286,275)</u>	(3,329,818)
Deferred inflows of resources related to pensions are not reported in the funds		<u>(8,060)</u>
Net position of governmental activities	<u>\$</u>	<u>4,473,521</u>

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

Town of Youngsville, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds		Total
	General Fund	Pedestrian Plan Project Fund	Governmental Funds
Revenues:			
Ad valorem taxes	\$ 1,940,044	\$ -	\$ 1,940,044
Other taxes and licenses	810,628	-	810,628
Unrestricted intergovernmental	208,817	-	208,817
Restricted intergovernmental	403,575	-	403,575
Permits and fees	33,308	-	33,308
Sales and services	307,386	-	307,386
Investment earnings	4,515	5	4,520
Miscellaneous	70,276	-	70,276
Total revenues	3,778,549	5	3,778,554
Expenditures:			
General government	583,770	-	583,770
Public safety	1,278,016	-	1,278,016
Transportation	483,592	-	483,592
Cultural and recreational	163,712	-	163,712
Economic and physical development	2,277,862	-	2,277,862
Environmental protection	160,759	-	160,759
Capital outlay	-	6,769	6,769
Debt service:			
Principal	390,198	-	390,198
Interest	28,034	-	28,034
Total expenditures	5,365,943	6,769	5,372,712
Excess (deficiency) of revenues over expenditures	(1,587,394)	(6,764)	(1,594,158)
Other financing sources (uses)			
Installment purchase obligations issued	1,877,857		1,877,857
Total other financing sources (uses)	1,877,857	-	1,877,857
Net change in fund balances	290,463	(6,764)	283,699
Fund balance, beginning	2,550,135	50,796	2,600,931
Fund balances, ending	\$ 2,840,598	\$ 44,032	\$ 2,884,630

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

Town of Youngsville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
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 change in fund balances - total governmental funds		\$ 283,699
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized	\$ 2,412,879	
Depreciation expense for governmental assets	<u>(206,647)</u>	2,206,232
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		129,315
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenues		16,622
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued	(1,877,857)	
Decrease in accrued interest payable	-	
Principal payments on long-term debt	<u>390,198</u>	(1,487,659)
<p>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.</p>		
Compensated absences	(17,149)	
Pension expense	<u>(259,875)</u>	<u>(277,024)</u>
Total changes in net position of governmental activities		\$ <u>871,185</u>

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

Town of Youngsville, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
For the Year Ended June 30, 2021

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 1,725,000	\$ 1,914,605	\$ 1,940,044	\$ 25,439
Other taxes and licenses	480,500	770,269	810,628	40,359
Unrestricted intergovernmental	173,562	290,058	208,817	(81,241)
Restricted intergovernmental	40,000	237,958	403,575	165,617
Permits and fees	49,294	42,532	33,308	(9,224)
Sales and services	308,656	300,375	307,386	7,011
Investment earnings	5,000	4,002	4,515	513
Miscellaneous	21,802	82,777	70,276	(12,501)
Total revenues	<u>2,803,814</u>	<u>3,642,576</u>	<u>3,778,549</u>	<u>135,973</u>
Expenditures:				
General government	629,193	745,257	583,770	161,487
Public safety	1,316,270	1,471,943	1,278,016	193,927
Transportation	263,873	506,444	483,592	22,852
Cultural and recreational	202,978	176,237	163,712	12,525
Economic and physical development	1,571,837	3,565,366	2,277,862	1,287,504
Environmental protection	137,715	160,780	160,759	21
Debt service:				
Principal	127,334	390,198	390,198	-
Interest	-	28,034	28,034	-
Total expenditures	<u>4,249,200</u>	<u>7,044,259</u>	<u>5,365,943</u>	<u>1,678,316</u>
Revenues over (under) expenditures	<u>(1,445,386)</u>	<u>(3,401,683)</u>	<u>(1,587,394)</u>	<u>1,814,289</u>
Other financing sources (uses):				
Installment purchase obligations issued	<u>1,310,000</u>	<u>2,770,696</u>	<u>1,877,857</u>	<u>(892,839)</u>
Total other financing sources (uses)	<u>1,310,000</u>	<u>2,770,696</u>	<u>1,877,857</u>	<u>(892,839)</u>
Fund balance appropriated	<u>135,386</u>	<u>630,987</u>	<u>-</u>	<u>630,987</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>290,463</u>	<u>\$ 290,463</u>
Fund balance, beginning			<u>2,550,135</u>	
Fund balance, ending			<u>\$ 2,840,598</u>	

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

Notes to the Financial Statements

Town of Youngsville, 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 Youngsville, 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 Youngsville is a municipal corporation that is governed by an elected mayor and a five-member Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally-separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

Town of Youngsville ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by the State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund. Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at the Town of Youngsville ABC Board, 101 College St., Youngsville, North Carolina.

B - Basis of Presentation

Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. The Town has only governmental activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods and 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 - are presented. The town has no fiduciary funds to report. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

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, federal and State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.

Pedestrian Plan Project Fund - This fund is used to account for revenues and expenditures related to the design and construction of bicycle and pedestrian streetscape improvements to Main Street. These improvements include sidewalks, curb extensions, cross-walks, and share lane markings.

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

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

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 a revenue because the amount is not susceptible to accrual. At June 30, 2021 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Youngsville because the tax is levied by Franklin County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursed grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D - Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the Board of Commissioners, and the Board of Commissioners must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town 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 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 and ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from both 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.

3. Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

Town of Youngsville Restricted Cash

Governmental Activities

General Fund

Powell Bill	\$ 63,271
Total Restricted Cash	\$ 63,271

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
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)

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes 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.

5. Allowance for Doubtful Accounts

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

6. Inventories and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The inventories of the ABC Board consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$25,000 for infrastructure and \$5,000 for all other assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives</u>
Buildings	40
Improvements	10
Vehicles	5
Furniture and Equipment	5 – 10

8. Deferred Outflows/Inflows of Resources

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
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)

9. Long-Term Obligations

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

10. Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds and the ABC Board, 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 last-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 is not considered to be material.

Both the Town's and the ABC Board's sick leave policies provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since neither the Town nor the ABC Board has any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position / Fund Balances

Net Position

Net position in government-wide fund financial statements are classified as invested 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.

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

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
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)

11. Net Position / Fund Balances (continued)

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

Committed Fund Balance - Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town of Youngsville'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.

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

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

The Town of Youngsville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city funds, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Youngsville has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is not less than sixty percent (60%) of General Fund Expenditures plus Transfers Out less Amounts for Debt Issued. Any portion of the general fund balance in excess of the 60% of General Fund Expenditures plus Transfers Out less Amounts for Debt Issued may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. 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 Youngsville's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

1. Noncompliance with North Carolina General Statutes

None.

2. Contractual Violations

None.

B - Deficit in Fund Balance or Net Position of Individual Funds

None.

C - Excess of Expenditures over Appropriations

None.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A - Assets

1. 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 agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual 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. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$3,139,060 and a bank balance of \$3,228,479. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$100. At June 30, 2021, the ABC Board's deposits had a carrying amount of \$306,538 and a bank balance of \$241,275. All of the bank balance was covered by federal depository insurance. The ABC Board had cash on hand in the amount of \$1,318 at June 30, 2021.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

2. Capital Assets

Primary Government

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 78,007	\$ -	\$ -	\$ 78,007
Construction in progress	366,468	2,028,189	-	2,394,657
Total capital assets not being depreciated	444,475	2,028,189	-	2,472,664
Capital assets being depreciated:				
Buildings	976,233	-	-	976,233
Improvements	565,946	21,884	-	587,830
Equipment	195,859	5,779	-	201,638
Vehicles	877,486	357,027	-	1,234,513
Total capital assets being depreciated	2,615,524	384,690	-	3,000,214
Less accumulated depreciation for:				
Buildings	120,747	23,631	-	144,378
Improvements	240,545	29,833	-	270,378
Equipment	154,737	11,804	-	166,541
Vehicles	386,098	141,379	-	527,477
Total accumulated depreciation	902,127	206,647	-	1,108,774
Total capital assets being depreciated, net	1,713,397			1,891,440
Governmental activities capital assets, net	\$ 2,157,872			\$ 4,364,104

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

General government	\$ 45,289
Public Safety	73,115
Cultural and recreation	52,523
Transportation	35,720
Total depreciation expense	\$ 206,647

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A - Assets (continued)

2. Capital Assets (continued)

Discretely presented component unit

Activity for the Youngsville ABC Board for the year ended June 30, 2021, was as follows:

	Beginning			Ending
Capital assets:	Balance	Increases	Decreases	Balance
Land (non-depreciable)	\$ 184,756	\$ -	\$ 184,756	\$ -
Buildings	65,915	-	65,915	-
Improvements	5,077	52,224	5,077	52,224
Furniture and fixtures	7,302	-	-	7,302
Equipment	25,815	-	9,968	15,847
Total capital assets	288,865	52,224	265,716	75,373
Less accumulated depreciation for:				
Buildings	58,990	-	58,990	-
Improvements	5,077	-	5,077	-
Furniture and fixtures	7,302	-	-	7,302
Equipment	6,132	2,977	5,048	4,061
Total accumulated depreciation	77,501	2,977	69,115	11,363
Capital assets - net	\$ 211,364			\$ 64,010

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Youngsville 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 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.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Youngsville 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 Youngsville's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Youngsville were \$120,148 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.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B – Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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 \$583,898 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 0.01634%, which was an increase of 0.00637% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$219,581. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,736	\$ -
Changes of assumptions	43,453	-
Net difference between projected and actual earnings on pension plan investments	82,168	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,047	2,370
Town contributions subsequent to the measurement date	120,148	-
Total	<u>\$ 399,552</u>	<u>\$ 2,370</u>

\$120,148 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 81,791
2023	100,318
2024	70,607
2025	24,318
	<u>\$ 277,034</u>

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis.

These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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

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

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

Sensitivity of the Town'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)	\$ 1,184,665	\$ 583,898	\$ 84,618

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 Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description. The Town of Youngsville 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. 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.

The Separation Allowance covers all full-time law enforcement officers of the Town. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>12</u>
Total	<u><u>13</u></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:

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

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

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

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (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 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 \$286,275. 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 \$40,294.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,290	\$ 2,664
Changes of assumptions and other inputs	78,200	3,026
Total	<u>\$ 117,490</u>	<u>\$ 5,690</u>

No amount was reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ 20,125
2023	20,071
2024	19,140
2025	18,787
2026	18,329
Thereafter	15,348

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

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

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total pension liability	\$319,889	\$286,275	\$255,999

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

	2021
Beginning balance	\$ 150,299
Service Cost	15,419
Interest on the total pension liability	4,750
Differences between expected and actual experience in the measurement of the total pension liability	41,350
Changes of assumptions or other inputs	83,624
Benefit payments	(9,167)
Ending balance of the total pension liability	<u>\$ 286,275</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 period January 1, 2010 through December 31, 2014.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

b. Law Enforcement Officers' Special Separation Allowance (continued)

4. Contributions (continued)

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

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

	LGERS	LEOSSA	Total
Pension Expense	\$219,581	\$ 40,294	\$259,875
Pension Liability	583,898	286,275	870,173
Proportionate share of the net pension liability	0.01634%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	73,736	39,290	113,026
Changes of assumptions	43,453	78,200	121,653
Net difference between projected and actual earnings on plan investments	82,168	-	82,168
Changes in proportion and differences between contributions and proportionate share of contributions	80,047	-	80,047
Benefit payments and administrative costs paid subsequent to the measurement date	120,148	-	120,148
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	2,664	2,664
Changes of assumptions	-	3,026	3,026
Changes in proportion and differences between contributions and proportionate share of contributions	2,370	-	2,370

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

1. Pension Plan and Postemployment Obligations (continued)

c. Supplemental Retirement Income Plan for Law Enforcement Officers and General Employees

1. 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 law enforcement officer's salary to a section 401(k) plan, and all amounts contributed are vested immediately. To maintain competitiveness in the local government job market, the town also contributes an equal share (five percent of salary) for general employees to a section 401(k) plan and these amounts are also vested immediately. Both law enforcement officers and general employees may also make voluntary contributions toward the same section 401(k) plan via payroll deduction. For the year ended June 30, 2021, town contributions were \$27,852 for law enforcement officers and \$18,295 for general employees. For the same period, voluntary employee contributions were \$21,300 law enforcement and \$3,945 for general employees.

2. Other Employment Benefits

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 multi-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 the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

2. Deferred Outflows and Inflows of Resources

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

<u>Source</u>	<u>Amount</u>
Contributions to the pension plan in the current fiscal year	\$ 120,148
Differences between expected and actual experience	113,026
Changes of assumptions	121,653
Net difference between projected and actual earnings on pension plan investments	82,168
Changes in proportion and differences between contributions and proportionate share of contributions	80,047
Total	<u>\$ 517,042</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 45,623
Differences between expected and actual experience	2,664	-
Changes in assumption	3,026	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,370	-
Total	<u>\$ 8,060</u>	<u>\$ 45,623</u>

3. Risk Management

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

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town has made the decision not to purchase flood insurance at this time. The Town does not deem the risk of flooding to outweigh the costs of insurance.

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

3. Risk Management (continued)

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000 for dishonesty coverage and \$10,000 for alteration coverage.

Town of Youngsville ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has property, general liability, auto liability, worker's compensation, and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been non-significant reduction in insurance coverage in the prior year.

4. Claims, Judgements, and Contingent Liabilities

At June 30, 2021, the Town had no pending lawsuits.

5. Long-Term Obligations

a. Installment Purchase

In June 2016, the Town entered into a \$650,000 direct borrowings installment purchase to finance the purchase of a building for a new Town Hall. The financing contract requires 71 monthly payments of \$3,456 with a balloon payment due on July 1, 2022. The town refinanced this loan with Union bank with an interest rate of 2.5 percent, paid semi-annually with a principal payment of \$8,865. The balance of the refinanced loan is \$265,520 with the first payment coming due in July 2021.

In October 2021, the Town entered into a \$2,505,176 direct borrowings installment purchase to finance the construction of the Public Works Building. The Town has only drawn a total of \$1,612,337 from the construction loan but place to draw the complete amount of the loan in next fiscal year. The town will begin payments on the loan when the construction is completed.

In March 2019, the Town entered in to a \$200,000 direct borrowings installment construction loan to finance the resurfacing of Town streets at a rate of 3.98%. The financing contract requires a monthly payment of \$2,029 beginning April 2019. The balance of this loan is \$161,331.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2022	\$ 160,644	\$ 84,261
2023	161,384	71,061
2024	162,154	66,838
2025	162,956	66,419
2026	163,789	63,408
Thereafter	1,228,261	173,854
Total	<u>\$ 2,039,189</u>	<u>\$ 525,842</u>

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

B - Liabilities (continued)

5. Long-Term Obligations (continued)

a. Capital Leases

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

The first agreement was executed on March 20, 2018 to lease a copier for 63 months and requires 60 monthly payments of \$101. The second agreement was executed on March 20, 2018 to lease a copier for 63 months and requires 60 monthly payments of \$107.

The agreement was executed on August 9, 2019 to lease police vehicles for 60 months and requires 10 semi-annual payments of \$53,643.

b. Capital Leases

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

Year Ending June 30	Payments
2022	\$ 107,286
2023	107,286
2024	107,286
2025	53,117
Total minimum lease payments	374,975
Less: amount representing interest	(16,321)
Present value of the minimum lease payments	<u>\$ 358,654</u>

c. Changes in Long-Term Liabilities

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

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental Activities:					
Direct Borrowings					
Installment purchase	\$ 447,688	\$ 1,877,857	\$ (286,356)	\$ 2,039,189	\$ 89,449
Capital Lease	462,496	-	(103,842)	358,654	51,242
Compensated absences	44,653	24,628	(7,479)	61,802	24,628
Net pension obligation (LGERS)	272,273	311,625		583,898	-
Total pension obligation (LEO)	150,299	135,976		286,275	-
Total	<u>\$ 1,377,409</u>	<u>\$ 2,350,086</u>	<u>\$ (397,677)</u>	<u>\$ 3,329,818</u>	<u>\$ 165,319</u>

Town of Youngsville, North Carolina
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2021

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

C - Fund Balance

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

Total Fund Balance - General Fund	\$ 2,840,598
Less:	
Streets - Powell Bill	63,271
Stabilization by State Statute	490,784
Remaining Fund Balance	\$ 2,286,543

NOTE 4 - SUMMARY DISCLOSURES OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 - SUBSEQUENT EVENTS

There are no subsequent events that would have a material effect on the financial statements. Subsequent events were evaluated through November 29, 2021 which is the date the financial statements were available to be issued.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Changes in Total Pension Liability
- Schedule of Total Pension Liability as a Percentage of Covered Payroll

Town of Youngsville, North Carolina
Town of Youngsville's 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>
Youngsville's proportion of the net pension liability (asset) (%)	0.01634%	0.00997%	0.00898%	0.01056%	0.01061%	0.01069%	-0.01090%	0.00910%
Youngsville's proportion of the net pension liability (asset) (\$)	\$ 583,898	\$ 272,273	\$ 213,036	\$ 161,328	\$ 225,180	\$ 273,481	\$ (64,283)	\$ 109,690
Youngsville's covered-employee payroll	\$ 885,383	\$ 662,028	\$ 657,845	\$ 634,827	\$ 606,449	\$ 593,314	\$ 516,370	\$ 516,370
Youngsville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.95%	41.13%	32.38%	24.52%	35.47%	45.10%	-10.83%	21.24%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

Town of Youngsville, North Carolina
Town of Youngsville's Contributions
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	\$ 120,148	\$ 81,386	\$ 54,606	\$ 52,723	\$ 49,924	\$ 44,356	\$ 44,232	\$ 42,795
Contributions in relation to the contractually required contribution	<u>120,148</u>	<u>81,386</u>	<u>54,606</u>	<u>52,723</u>	<u>49,924</u>	<u>44,356</u>	<u>44,232</u>	<u>42,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,140,699	\$ 885,383	\$ 662,028	\$ 657,845	\$ 645,518	\$ 634,827	\$ 606,449	\$ 593,314
Contributions as a percentage of covered-employee payroll	10.53%	9.19%	8.25%	8.01%	7.73%	6.99%	7.29%	7.21%

Town of Youngsville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 150,299	\$ 130,236	\$ 112,153	\$ 92,599	\$ 82,396
Service Cost	15,419	13,352	11,596	9,224	9,516
Interest on the total pension liability	4,750	4,719	3,544	3,574	2,942
Differences between expected and actual experience in the measurement of the total pension liability	41,350	(2,613)	8,443	(3,047)	-
Changes of assumptions or other inputs	83,624	5,767	(5,500)	9,803	(2,255)
Benefit payments	<u>(9,167)</u>	<u>(1,162)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending balance of the total pension liability	<u><u>\$ 286,275</u></u>	<u><u>\$ 150,299</u></u>	<u><u>\$ 130,236</u></u>	<u><u>\$ 112,153</u></u>	<u><u>\$ 92,599</u></u>

Town of Youngsville, North Carolina
Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 286,275	\$ 150,299	\$ 130,236	\$ 112,153	\$ 92,599
Covered payroll	581,677	485,221	490,848	442,600	440,995
Total pension liability as a percentage of covered payroll	49.22%	30.98%	26.53%	25.34%	21.00%

Notes to the schedules:

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

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year ad valorem taxes	\$	\$ 1,930,093	\$
Prior years		6,756	
Penalties and interest		3,195	
Total	<u>1,914,605</u>	<u>1,940,044</u>	<u>25,439</u>
Other taxes and licenses:			
Solid waste disposal tax		1,268	
Local option sales tax		809,360	
Total	<u>770,269</u>	<u>810,628</u>	<u>(40,359)</u>
Unrestricted intergovernmental:			
Utility sales tax		123,593	
Beer and wine tax		7,660	
ABC store revenue		77,564	
Total	<u>290,058</u>	<u>208,817</u>	<u>(81,241)</u>
Restricted intergovernmental:			
Powell Bill allocation		42,981	
Grants		360,594	
Total	<u>237,958</u>	<u>403,575</u>	<u>165,617</u>
Permits and fees:			
Zoning fees		30,922	
Court fees		1,931	
Animal tags		455	
Total	<u>42,532</u>	<u>33,308</u>	<u>(9,224)</u>
Sales and services:			
Recreation department fees		59,450	
Field rental		32,177	
Rental income		12,950	
Miscellaneous		1,385	
Garbage fees		201,424	
Total	<u>300,375</u>	<u>307,386</u>	<u>7,011</u>
Investment earnings	<u>4,002</u>	<u>4,515</u>	<u>513</u>
Miscellaneous revenues			
Miscellaneous revenues	<u>82,777</u>	<u>70,276</u>	<u>(12,501)</u>
Total	<u>82,777</u>	<u>70,276</u>	<u>(12,501)</u>
Total revenues	<u>\$ 3,642,576</u>	<u>\$ 3,778,549</u>	<u>\$ 135,973</u>

Town of Youngsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and benefits		\$ 14,389	
Professional services		37,008	
Total	<u>52,491</u>	<u>51,397</u>	<u>1,094</u>
 Administration:			
Salaries and benefits		397,394	
Operating expenditures		134,979	
Total	<u>692,766</u>	<u>532,373</u>	<u>160,393</u>
 Total general government	<u>745,257</u>	<u>583,770</u>	<u>161,487</u>
 Public safety:			
Police:			
Salaries and benefits		944,912	
Operating expenditures		212,220	
Capital outlay		120,884	
Total	<u>1,471,943</u>	<u>1,278,016</u>	<u>193,927</u>
 Transportation:			
Streets and highways:			
Salaries and benefits		192,369	
Operating expenditures		49,302	
Capital outlay		241,921	
Total	<u>506,444</u>	<u>483,592</u>	<u>22,852</u>
 Cultural and recreational			
Salaries and benefits		66,764	
Park operations		96,948	
Total	<u>\$ 176,237</u>	<u>\$ 163,712</u>	<u>\$ 12,525</u>

Town of Youngsville, North Carolina
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual (continued)
For the Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental protection:			
Sanitation operating expenditures	\$	\$ 160,759	\$
Total	<u>160,780</u>	<u>160,759</u>	<u>21</u>
Economic and physical development			
Operating expenditures		234,560	
Capital outlay		2,043,302	
Total	<u>3,565,366</u>	<u>2,277,862</u>	<u>1,287,504</u>
Debt Service:			
Principal		390,198	
Interest		28,034	
Total	<u>418,232</u>	<u>418,232</u>	<u>-</u>
Total expenditures	<u>7,044,259</u>	<u>5,365,943</u>	<u>1,678,316</u>
Revenues over (under) expenditures	<u>(3,401,683)</u>	<u>(1,587,394)</u>	<u>1,814,289</u>
Other financing sources (uses):			
Proceeds from installment purchase	2,770,696	1,877,857	(892,839)
Total	<u>2,770,696</u>	<u>1,877,857</u>	<u>(892,839)</u>
Fund balance appropriated	630,987	-	630,987
Net change in fund balances	<u>\$ -</u>	290,463	<u>\$ 290,463</u>
Fund balance, beginning		<u>2,550,135</u>	
Fund balance, ending		<u>\$ 2,840,598</u>	

Town of Youngsville, North Carolina
Pedestrian Plan Project Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-
Budget and Actual
From Inception and For the Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Prior Year Actual</u>	<u>Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted intergovernmental:					
Federal and state grants	\$ 506,000	\$ 216,867	\$ -	\$ 216,867	\$ (289,133)
Investment earnings	-	76	5	81	81
Total revenues	<u>506,000</u>	<u>216,943</u>	<u>5</u>	<u>216,867</u>	<u>(289,133)</u>
Expenditures:					
Capital outlay:					
Project oversight / engineering fees	63,250	321,022	6,769	327,791	(264,541)
Construction expenditures	<u>569,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>569,250</u>
Total expenditures	<u>632,500</u>	<u>321,022</u>	<u>6,769</u>	<u>327,791</u>	<u>304,709</u>
Revenues under expenditures	(126,500)	(104,079)	(6,764)	(110,924)	15,576
Other financing sources (uses):					
Transfers from General Fund	<u>126,500</u>	<u>154,875</u>	<u>-</u>	<u>154,875</u>	<u>28,375</u>
Total other sources (uses)	<u>126,500</u>	<u>154,875</u>	<u>-</u>	<u>154,875</u>	<u>28,375</u>
 Net change in fund balance	 <u>\$ -</u>	 <u>\$ 50,796</u>	 (6,764)	 <u>\$ 44,032</u>	 <u>\$ 44,032</u>
 Fund balance, beginning			 50,796		
Fund balance, ending			<u>\$ 44,032</u>		

Other Schedules

This section contains additional information on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balances June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balances June 30, 2021</u>
2020-2021	\$ -	\$ 1,966,022	\$ 1,944,547	\$ 21,475
2019-2020	8,614	-	2,960	5,654
2018-2019	5,754	-	(67)	5,821
2017-2018	4,815	-	44	4,771
2016-2017	3,235	-	93	3,142
2015-2016	1,749	-	606	1,143
2014-2015	1,124	-	314	810
2013-2014	856	-	(51)	907
2012-2013	988	-	(70)	1,058
2011-2012	794	-	(48)	842
2010-2011	1,072	-	1,072	-
	<u>\$ 29,001</u>	<u>\$ 1,966,022</u>	<u>\$ 1,949,400</u>	<u>45,623</u>

Less: allowance for uncollectible accounts - General Fund

-

Ad valorem taxes receivable - net

\$ 45,623

Reconciliation to revenues:

Ad valorem taxes - General Fund	\$ 1,940,044
Reconciling items:	
Discounts, releases, refunds	(3,195)
Interest collected	<u>12,551</u>
Total collections and credits	<u><u>\$ 1,949,400</u></u>

Town of Youngsville, North Carolina
Analysis of Current Year Tax Levy
For the Year Ended June 30, 2021

	<u>Town-Wide Levy</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Total Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
Original levy					
Property taxed at					
current year's rate	<u>\$ 300,156,031</u>	0.655	<u>\$ 1,966,022</u>	<u>\$ 1,760,381</u>	<u>\$ 205,641</u>
Total	<u>300,156,031</u>		<u>1,966,022</u>	<u>1,760,381</u>	<u>205,641</u>
 Uncollected taxes at June 30, 2021			<u>(21,475)</u>	<u>(21,475)</u>	<u>-</u>
 Current year's taxes collected			<u><u>\$ 1,944,547</u></u>	<u><u>\$ 1,738,906</u></u>	<u><u>\$ 205,641</u></u>
 Current levy collection percentage			<u><u>98.91%</u></u>	<u><u>98.78%</u></u>	<u><u>100.00%</u></u>

Compliance Section

S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

American Institute of CPAs

N. C. Association of CPAs

Independent Auditor's 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*

To the Honorable Mayor and
Members of the Board of Commissioners
Youngsville, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Youngsville, 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 Youngsville's basic financial statements and have issued our report thereon dated November 29, 2021. The financial statements of the Town of Youngsville ABC Board were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

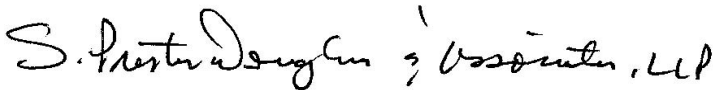
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2021-001).

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "S. Preston Douglas, CPA". The signature is written in a cursive, flowing style.

Lumberton, North Carolina
November 29, 2021

Town of Youngsville, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

Section I. Summary of Auditor's Results
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Financial Statements

Type of auditor's report issued:	Unmodified.
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? _____ <u>X</u> _____ yes _____ no • Significant deficiency(s) identified that are not considered to be material weaknesses _____ yes _____ <u>X</u> _____ none reported • Noncompliance material to financial statements _____ yes _____ <u>X</u> _____ no 	

Section II. Financial Statement Findings

MATERIAL WEAKNESS

Finding 2021-001

Segregation of Duties

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

Condition: There is a lack of segregation among Town personnel.

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has a limited number of personnel to handle all financial transactions.

Repeat Finding: This was a repeat finding; 2019-002

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 52.



Town of Youngville

Post Office Box 190, Youngville, North Carolina 27596

Phone: 919.925.3401 | Fax: 919.925.3402

Corrective Action Plan

Finding 2021-001

Segregation of Duties

Name of contact person: Kari Potton-Motluck, Finance Officer

Corrective Action

For the last several years we have separated duties as much as possible, with unavoidable limitations created by the number of full-time finance positions that can be funded. We now have an employee doing the coding and handling the purchase orders, an employee that is accounts payable and payroll and one that balances the accounts and bank statements. We are also cross-training so we can still function if one employee is out. By improving our processes, more than one employee maintains awareness of work processes and errors may be detected by employees in the normal course of performing assigned functions. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns.

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Youngsville, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021

Finding: 2019-001

Status: This finding has been corrected.

Finding: 2019-002

Status: This finding has not been corrected. This finding was reported in the current year. See Finding 2021-001.