

**TOWN OF RUTHERFORDTON
NORTH CAROLINA**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOWN OF RUTHERFORDTON, NORTH CAROLINA

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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MARTIN STARNES & ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Unmodified and Disclaimer of Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information; and we were not engaged to audit the discretely presented component unit, of the Town of Rutherfordton, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Discretely Presented Component Unit	Disclaimer
General Fund	Unmodified
Norris Recreation Complex Project Fund	Unmodified
American Recovery Plan Fund	Unmodified
Sewer Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Disclaimer of Opinion on the Discretely Presented Component Unit

We do not express an opinion on the financial statements of the discretely presented component unit of the Town of Rutherfordton, North Carolina. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

Unmodified Opinions on Governmental Activities, Business-type Activities, Each Major Fund, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rutherfordton, North Carolina, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Town of Rutherfordton ABC Board have not been audited, and we were not engaged to audit the Town of Rutherfordton ABC Board's financial statements as a part of our audit of the Town of Rutherfordton, North Carolina's basic financial statements. The Town of Rutherfordton ABC Board's financial activities are included in the Town of Rutherfordton, North Carolina's basic financial statements as a part of the discretely presented component unit and represent 100%, 100%, and 100% of the assets, net position, and revenues, respectively, of the Town of Rutherfordton, North Carolina's discretely presented component units.

Basis for Unmodified Opinions

We conducted our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Rutherfordton, North Carolina, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Auditor's Responsibilities for the Audit of the Discretely Presented Component Unit

Our responsibility is to conduct an audit of the Town of Rutherfordton, North Carolina's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter discussed in the Basis for Disclaimer of Opinion on the Discretely

Presented Component Unit section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

We are required to be independent of the Town of Rutherfordton, North Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Auditor's Responsibilities for the Audit of the Governmental Activities, the Business-type Activities, Each Major Fund and the Aggregate Remaining Fund Information

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in the Total Pension Liability and Total Pension Liability as a Percentage of Covered Employee Payroll and Employer Contributions, and the Local Governmental Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures

to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rutherfordton's basic financial statements. The combining and individual fund financial statements, budgetary schedules and other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2024 on our consideration of the Town of Rutherfordton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Rutherfordton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rutherfordton's internal control over financial reporting and compliance.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 22, 2024

Management's Discussion and Analysis

As management of the Town of Rutherfordton, we offer readers of the Town of Rutherfordton's financial statements this narrative overview and analysis of the financial activities of the Town of Rutherfordton for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here, in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

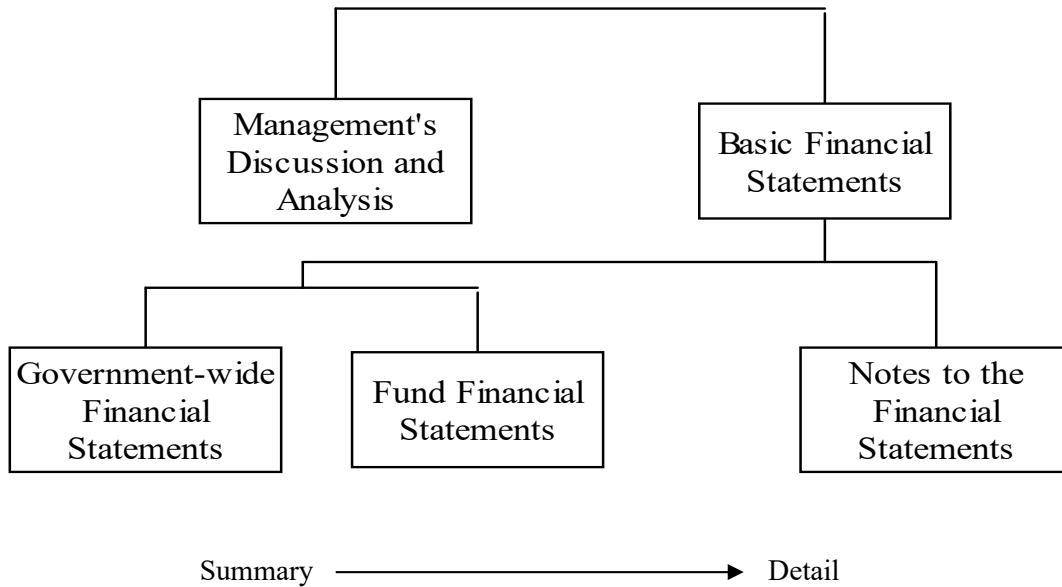
- The assets and deferred outflows of resources of the Town of Rutherfordton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$15,133,501 (*net position*).
- The Town's total net position increased by \$701,586 primarily due to an increase in capital assets and the completion of projects that are now realized assets along with grant funding.
- As of the close of the current fiscal year, the Town of Rutherfordton's governmental funds reported combined ending fund balances of \$3,651,165. That amount is a increase of \$604,380, in comparison with the prior year. Approximately 62.05 percent of this total amount, or \$2,265,608, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,082,921, or 16.29 percent, of total General Fund expenditures.
- The outstanding debt for the Town is \$3,410,705 at June 30, 2023. The Town paid debt service in the amount of \$359,831.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The final section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. Following the notes is the **required supplemental information**. This section contains funding information about the Town's pension plans. After the required supplemental information, **supplemental schedules** are provided to show details about budgetary information required by the General Statutes.

Government-Wide Financial Statements

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

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

The government-wide financial statements are divided into the following three types of activities:

Governmental Activities. These activities of the Town include general government, public safety, transportation and environmental protection and cultural recreation. Property taxes along with state and federal grants finance most of these activities.

Business-Type Activities. The Town charges fees to recover the costs associated with providing certain services. The activities include solid waste and sewage disposal.

Component Units. There is one component unit of the Town of Rutherfordton: The Town of Rutherfordton ABC Board. Although legally separate from the Town, the Town of Rutherfordton ABC Board is important to the Town. The Town exercises control over the ABC Board by appointing its members and the Board is required to distribute its profits to the Town.

The government-wide financial statements directly follow the Management's Discussion and Analysis of this report on Exhibits A and B.

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

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

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

Proprietary Funds. The Enterprise Fund is the only proprietary-type fund that the Town utilizes. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for solid waste disposal and user disposal fees. These funds are the same as those shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements directly follow the basic financial statements 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 Rutherfordton's progress in funding its obligation to provide pension benefits to its law enforcement officers. Required supplementary information can be found directly following the notes of this report.

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

Government-Wide Financial Analysis

Town of Rutherfordton's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and other assets	\$ 4,842,012	\$ 4,001,338	\$ 1,319,118	\$ 1,128,139	\$ 6,161,130	\$ 5,129,477
Restricted assets	607,056	319,080	-	-	607,056	319,080
Capital assets	6,577,156	5,551,679	8,212,220	8,432,184	14,789,376	13,983,863
Total assets	12,026,224	9,872,097	9,531,338	9,560,323	21,557,562	19,432,420
Deferred Outflows						
of Resources	1,164,745	837,750	20,910	13,143	1,185,655	850,893
Liabilities:						
Current liabilities	2,124,248	1,462,018	166,366	166,215	2,290,614	1,628,233
Long-term liabilities	3,606,253	1,907,189	1,452,591	1,493,018	5,058,844	3,400,207
Total liabilities	5,730,501	3,369,207	1,618,957	1,659,233	7,349,458	5,028,440
Deferred Outflows						
of Resources	259,274	809,587	984	13,371	260,258	822,958
Net Position:						
Net investment in capital assets	5,113,357	4,414,732	6,665,314	6,819,612	11,778,671	11,234,344
Restricted	1,865,608	1,339,655	-	-	1,865,608	1,339,655
Unrestricted	222,229	776,666	1,266,993	1,081,250	1,489,222	1,857,916
Total net position	\$ 7,201,194	\$ 6,531,053	\$ 7,932,307	\$ 7,900,862	\$ 15,133,501	\$ 14,431,915

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Rutherfordton exceeded its liabilities and deferred inflows of resources by \$15,133,501 as of June 30, 2023. The Town's net position increased by \$701,586 for the fiscal year ended June 30, 2023. Net position of the Town is reported in three categories: net investment in capital assets of \$11,778,671; restricted net position of \$1,865,608; and unrestricted net position of \$1,489,222.

The net investment in capital assets category is defined as the Town's investment in Town-owned capital assets (e.g. land, buildings, automotive equipment, and office and other equipment), less any related debt still outstanding that was issued to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other resources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position consists of restrictions for stabilization by state statute, general government, public safety protection costs, streets - Powell Bill, and other cultural and recreation – recreation endowment and perpetual maintenance.

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

- A managed approach to long term capital planning and spending
- Strong management control of the budget
- Use of grants for additional large capital projects
- Maximization of external partners and grants to achieve our mission

Town of Rutherfordton’s Changes in Net Position
Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:						
Program revenues:						
Charges for services	\$ 331,917	\$ 244,766	\$ 1,320,130	\$ 1,127,528	\$ 1,652,047	\$ 1,372,294
Operating grants and contributions	1,701,608	880,025	-	500,000	1,701,608	1,380,025
General revenues:						
Property taxes	2,442,390	2,158,240	-	-	2,442,390	2,158,240
Other taxes	1,952,445	1,837,249	-	-	1,952,445	1,837,249
Other	337,506	130,740	71,378	1,981	408,884	132,721
Total revenues	<u>6,765,866</u>	<u>5,251,020</u>	<u>1,391,508</u>	<u>1,629,509</u>	<u>8,157,374</u>	<u>6,880,529</u>
Expenses:						
General government	1,443,708	361,149	-	-	1,443,708	361,149
Public safety	3,136,279	2,241,330	-	-	3,136,279	2,241,330
Transportation and environmental protection	1,274,666	1,675,252	-	-	1,274,666	1,675,252
Cultural and recreational	206,900	531,027	-	-	206,900	531,027
Interest on long-term debt	34,172	41,330	-	-	34,172	41,330
Sewer	-	-	1,360,063	1,364,772	1,360,063	1,364,772
Total expenses	<u>6,095,725</u>	<u>4,850,088</u>	<u>1,360,063</u>	<u>1,364,772</u>	<u>7,455,788</u>	<u>6,214,860</u>
Change in net position	670,141	400,932	31,445	264,737	701,586	665,669
Net Position:						
Beginning of year - July 1	<u>6,531,053</u>	<u>6,130,121</u>	<u>7,900,862</u>	<u>7,636,125</u>	<u>14,431,915</u>	<u>13,766,246</u>
End of year - June 30	<u>\$7,201,194</u>	<u>\$ 6,531,053</u>	<u>\$ 7,932,307</u>	<u>\$ 7,900,862</u>	<u>\$15,133,501</u>	<u>\$14,431,915</u>

Governmental Activities. Governmental activities increased the Town's net position by \$670,141. Key elements of this increase are as follows:

- Increased Federal & State Grants as well as grants from local agencies.
- Strong oversight of budgeted funds throughout the fiscal year
- Board oversight of financial position during the year.

Business-Type Activities. Business-type activities decreased the Town's net position by \$31,445. Key elements of this decrease are as follows:

- A significant increase in inflation nationwide.

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

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

The General Fund is the chief operating fund of the Town of Rutherfordton. At the end of the current fiscal year, available fund balance of the General Fund was \$2,061,847, while total fund balance was \$2,608,557. As a measure of the General Fund's liquidity, it may be useful to compare available fund balance to total fund expenditures. Available fund balance represents 31.01 percent of total General Fund expenditures, while total fund balance represents 39.24 percent of that same amount.

At June 30, 2023, the governmental funds of the Town reported a combined fund balance of \$3,651,165, a \$604,380 increase from last year. The increase was more than anticipated by the Town, as proactive management to lessen the anticipated budgeted use of fund balance to increase operations through grants as well as ensuring staffing levels remained as close to full staff as possible throughout the year. Some revenues outpaced anticipated targets and staff will adjust those in the coming budget cycle as outlined below.

General Fund Budgetary Highlights. The Town's financial position increased during FY 2023 due to use of fund balances that had been saved in prior years for capital projects and for the maintenance of streets as well as grant revenue for upcoming major projects. The increase was also a result of Town departments' diligence in monitoring their operational budgets resulted in total expenditures being under budget at fiscal year-end. On the revenue side, the Town audited the fees for services during the year resulting in additional revenue for services. Investments and Ad Valorem taxes also increased in FY 2023 as a result of market conditions.

The Town revised the budget for various reasons during the fiscal year. 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.

Total amendments to the General Fund increased expenditures by \$2,314,672 or 48.9 percent, of the original budget.

Proprietary Funds. The Town’s proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Total net position for the proprietary fund at the end of the fiscal year amounted to \$7,932,307. During the fiscal year 2023, proprietary fund net position increased \$31,455. This increase is realized in the depreciation of the assets, as seen below in the FY 23 highlights Town staff is recommending rate increases to cover this cost moving forward.

Capital Asset and Debt Administration

Capital Assets. The Town’s investment in capital assets for its governmental and business-type activities as of June 30, 2023 totals \$14,789,376 (net of accumulated depreciation and amortization). These assets include land, buildings, equipment, pump stations and sewer collection systems, wastewater treatment plant, and streets.

**Town of Rutherfordton’s Capital Assets
(Net of Depreciation)**

Figure 4

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 462,613	\$ 445,528	\$ 18,750	\$ 1,090,776	\$ 481,363	\$ 1,536,304
Construction in progress	472,303	-	-	-	472,303	-
Buildings and improvements	7,069,437	6,495,331	-	-	7,069,437	6,495,331
Equipment	7,323,735	6,862,606	728,075	683,645	8,051,810	7,546,251
Pump stations and sewer collection systems	-	-	8,501,531	7,328,061	8,501,531	7,328,061
Wastewater treatment plant	-	-	5,214,106	5,205,826	5,214,106	5,205,826
Streets	-	-	42,284	42,284	42,284	42,284
Right-to-use leased assets	12,618	13,604	118,703	118,703	131,321	132,307
Accumulated depreciation and amortization	<u>(8,763,550)</u>	<u>(8,265,390)</u>	<u>(6,411,229)</u>	<u>(6,037,111)</u>	<u>(15,174,779)</u>	<u>(14,302,501)</u>
Total	<u>\$ 6,577,156</u>	<u>\$ 5,551,679</u>	<u>\$ 8,212,220</u>	<u>\$ 8,432,184</u>	<u>\$ 14,789,376</u>	<u>\$ 13,983,863</u>

Additional information on the Town’s capital assets can be found in Note 3, capital assets section of the notes to the basic financial statements.

Long-Term Debt. As of June 30, 2023, the Town of Rutherfordton had total direct placement, direct borrowing, and lease liabilities debt outstanding of \$3,410,705. A summary of long-term debt is shown in Figure 5.

Town of Rutherfordton’s Outstanding Debt & Long-Term Liabilities

Figure 5

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Direct placements and direct borrowings	\$ 1,863,799	\$ 1,130,232	\$ 1,474,411	\$ 1,514,287	\$ 3,338,210	\$ 2,644,519
Lease liabilities	-	6,715	72,495	98,285	72,495	105,000
Total	<u>\$ 1,863,799</u>	<u>\$ 1,136,947</u>	<u>\$ 1,546,906</u>	<u>\$ 1,612,572</u>	<u>\$ 3,410,705</u>	<u>\$ 2,749,519</u>

The State of North Carolina limits the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government’s boundaries. The legal debt margin for the Town of Rutherfordton is \$30,146,894.

Additional information regarding the Town of Rutherfordton’s long-term debt can be found in Note 3, Long-Term Debt section of the notes to the basic financial statements.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Earlier this year with the help of the citizens, town leaders, and Rutherfordton Town Council, the 2023 Action Plan was formulated to guide the Town over the next 12-24 months. This plan serves as a guide for the Town’s funding priorities and is well represented in the proposed Fiscal Year 2024 budget recommendations. The Fiscal Year 2024 budget outlines the operational spending plan for the Town for the upcoming budget year and includes a new proposed tax rate for the fiscal year.

As the recent property revaluation has reflected increased property values, the budget reflects a decrease in the proposed property tax rate to help alleviate the tax burden. . The tax rate in the current year is \$0.59 per \$100 of value and the revenue neutral rate for FY 24 would be \$0.45 per \$100 of value. As the Town has developed its budget this year factoring in inflationary pressures, and increased operational costs, through sound financial management the provides the same level of services you have come to expect from the Town and fund items from the Action Plan as well as moving forward with projects like the Norris Recreation Complex, 2nd Street Park, and the work of the Redevelopment Commission.

Over the past few years, the Town has worked to invest in and ensure that our facilities are of the highest quality and service to the community. This is reflected in projects like the new Public Works facility on Cleghorn Street, investments at the Norris Library, and the recent renovation of Fire Station #1. The next project on the horizon is to renovate the existing Town Hall/Police Station to accommodate solely the Police Department as they grow and serve the community. This leaves an opportunity to craft a new home for the gathering spaces of Town Hall. To begin moving these plans into a clear vision and to provide funding for these projects and future facilities’ needs, the FY 24 budget included a \$0.02 cent tax increase for a tax rate at \$0.47 per \$100 of value. The \$0.02 cent increase will be used to fund a Capital Facilities Reserve Fund, with the priority to begin looking at the architectural services needed for the current Town Hall/Police Station and to masterplan the cost of crafting a new home for a Town Hall that accommodates larger gathering spaces, meeting rooms, and offices. As with all major Town projects, this will be a process that looks to the citizens to help craft the vision as many community groups, civic organizations, and citizens utilize Town Hall.

Further, the budget represents our community’s commitment to creating & maintaining partnerships, hiring and retaining the best team, investing in capital, improving operational efficiencies, and setting clear community-based goals. The budget aims to continue looking at enterprise functions of the Town towards ensuring programs like sewer operations, trash, and recycling services are supported 100%

through user fees by those using the services. Further, the budget sets a direction for our staff to ensure that we are recruiting, retaining, and properly compensating the team that serves this Town each day. In the current regional market, this has become increasingly difficult, and this budget continues to ensure that each team member is compensated at or above the regional market rate for their contributions to making Rutherfordton a great place to live, work, and play.

The FY 24 budget follows the Town Council's directives to provide excellent and cost-effective services while providing long-term financial stability. The General Fund Budget totals \$5,327,282 which represents an effective increase of 13% from the prior unamended budget. This change represents an increase in operations of near 17% and 7% in personnel for both compensation and benefits. We have seen a rise in sales tax, electric sales tax, and property tax over the last year to help with these rising costs. Other operational increases are found in the proposed fire tax increase. The curbside collection fee will remain at its current monthly rate of \$10.80 thanks to a holistic audit of users this past budget year. The final budget proposal decreases the tax rate from \$.59 to \$.47 of \$100 of valuation.

To align Town operations with Town Council directives, the Town Manager and Department Heads submitted detailed goals for the coming year. Together these goals represent critical success factors for each department, as the Town strives to deliver continued excellent, cost-effective services to the citizens of this community. These goals are driven by the 2023 Action Plan which begins with feedback from our community to drive programs and services based on the needs and desires of the community.

Specific initiatives funded in the FY 2024 Manager's Recommended Budget while controlling costs include:

- ✓ Complete the construction of Fire Station #2
- ✓ Complete the improvements to 2nd St Park
- ✓ Construct a new picnic shelter at Kiwains Park
- ✓ Supporting the growth of the Community Garden
- ✓ Improve citizen outreach and communication
- ✓ Further the work of the Redevelopment Commission
- ✓ Begin Phase 1 of the Norris Recreation Complex
- ✓ Increasing library programming
- ✓ Investing in town buildings including the Police Station & Town Hall to look at space needs and renovations to these buildings
- ✓ Place an order for a fire engine to replace a 2000 model
- ✓ Increase recycling outreach and education

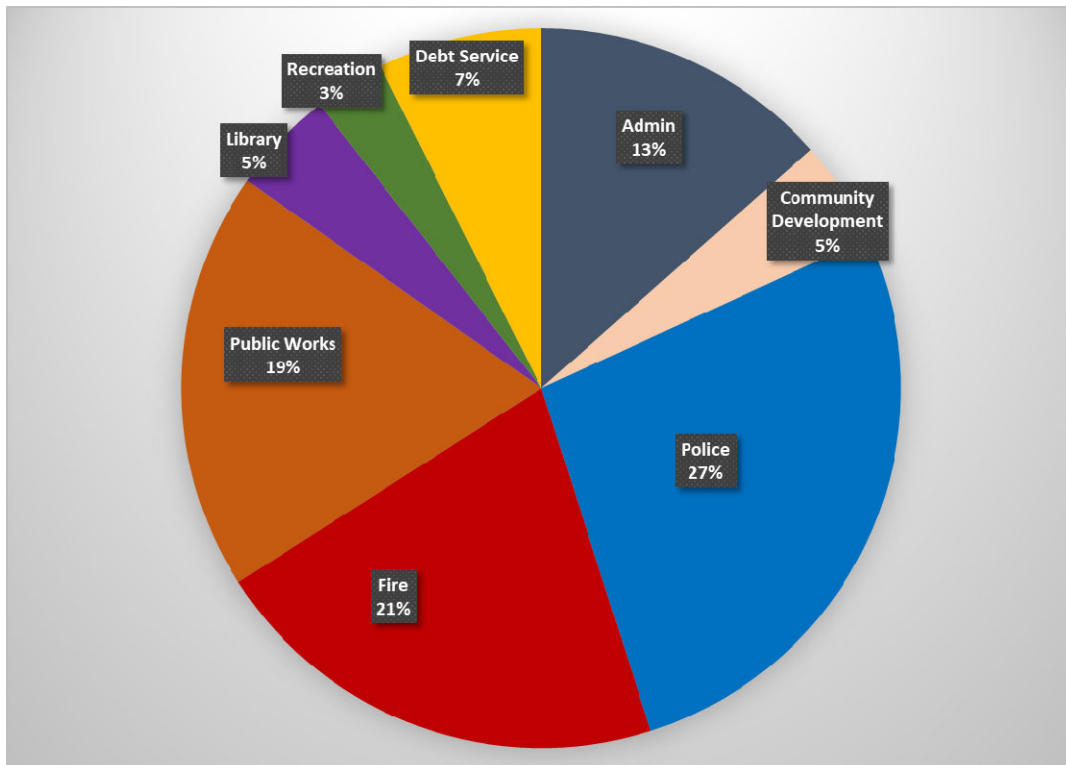


The economic outlook at the time of this year's budget process is largely unknown with some signs of positive growth. The Federal Reserve Bank of Richmond noted North Carolina's wages and salaries in NC grew 9% year over year for the third quarter of 2022, outpacing national growth of 7.5%. However, this is compounded by inflation which has greatly affected consumers across the country in recent months. The March 2023 Consumer Price Index Summary indicated an increase of 6% over the previous year. Each of these factors plays into Town operations and staffing increases.

We are also very optimistic about new construction and investments inside the Town. Projects like a housing subdivision on John Smith Rd, the final buildings at Park Crossing, the new access road in the Business Park, the beginning of the HWY 221 project & smaller infill housing projects Downtown are signs of continued growth for the community. We have also benefited this year with the implementation of the new Rutherfordton Development Ordinance and associated Zoning Map that aims to drive

development along with existing infrastructure and to allow the Town to maximize its potential moving forward. Moreover, projects like the Hwy 221 Bypass and the New Sewer line to RS Middle School will now open up new areas for the Town to grow into the future.

The construction of Fire Station #2 is critical but beyond those walls and apparatus, it takes well-trained and dedicated staff to answer the 911 calls for service each day. Over the past years, despite efforts of both recruitment and retention programs, our department has seen a 67% decrease in volunteer responses to calls for service. The success of this station depends on staffing this station for the rural fire district. This budget recommends a rural tax rate of 0.11 for the Fiscal Year 2024 for the rural fire service district and the Town of Ruth. The increase in revenues will allow the Rutherfordton Fire & Rescue Department to staff the station 24 hours a day 7 days a week with one certified firefighter to respond to calls which requires hiring 2 additional full-time staff members. This would be augmented by the 2 firefighters stationed at our station on N. Mitchell Street but will help ensure that initial responses for the entire service area of Rutherfordton Fire & Rescue will decrease to below 5 minutes with our current average for this area of 10 minutes.



The chart above shows the breakdown of expenditures by the department for the year.

As we move into Fiscal Year 2024, we will begin to see new projects come to life like Fire Station #2, 2nd Street Park, the awarded RAISE grant for \$20,400,000. In partnership with NCDOT and the Town of Spindale, this project will allow us to holistically transform the Charlotte Road and East Main Street corridor connecting Rutherfordton and Spindale as well as the new 221 bypass project.

Business-Type Activities. In FY 2022, the Town was targeted under the state’s new “Distressed Utility” list which looks at a range of variables including cost recovery and funding of depreciation. As outlined in prior budgets the Town has worked to actively plan for future growth while ensuring that the activities of this fund are fully covered under the rate structure. Large strides have been made in the fund to replace equipment, invest in technology, and grow the customer base. In FY 23, the Town took a holistic approach to reviewing rates to allocate a five year plan to fully fund depreciation and fund the needed

capital expenses of the utility fund. Last fiscal year the rate structure was adjusted to begin this five year plan. This year's rate increase of 3.5% continues the planned phased-in approach over a 5 years span to more adequately fund depreciation and investments into the system. The proposed new rate for a customer using 5,000 gallons of wastewater moves from the current rate of \$51.31 to \$53.11 an increase of \$1.80 a month. This is still below the statewide median of \$55 for wastewater systems that operate without a water system. This rate takes into consideration all of the factors mentioned above and inflationary factors for increased costs of operation. Moreover, it is a commitment to invest in our aging system and secure long-term financial viability for this utility.

In this budget, we have also increased our efforts to secure state and federal funding for the needed repairs and upgrades to the Wastewater Treatment Plant. These planned repairs will address the headworks, the repairs needed in treatment Basin #1, bring Basin #2 into service, and address needed motor repairs and process improvements. This \$1.7 million project was originally planned to be funded by the system's fund balance but the opportunity for outside funding will preserve this balance. Other notable projects for the fund in Fiscal Year 2024 include the replacement of the clarifier pumps at the treatment plant, and engineering for the John Smith Road Pump Station replacement project. Capital spending looks to replace some aging vehicles and right of way mowing tractor for our overland sewer lines. While the placement of the system on the Viable Utility listing has placed extra focus on the financial management of the utility it has also opened up funding resources to assist with critical needs and to allow rates to remain affordable even with increases.

The Fiscal Year 2024 continues a shift in our utility operations and will shift the long-term viability of the Town's Utility system. Setting goals for more proactive maintenance, long-term financial sustainability, and environmental protection allow our utility to be a regional leader in quality service while providing cost-effective sewer service to the Town. Audited statements from the FY 23 budget should remove the Town from the States Viable Utility Reserve watch list.

Since the adoption of the FY 24 Budget, the Town Council has also taken a proactive approach to our fiscal management and authorized the Town Staff to sell the Dominion Stock owned by the Town during the budget period. The sale of this stock will close a long-standing audit finding of the Town and return the stock proceeds to the Rutherfordton Recreational Trust Fund for use by the fund for ongoing recreational needs of the community.

Requests for Information

This financial report is designed to provide an overview of the Town of Rutherfordton's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be directed to the Town of Rutherfordton Finance Director, 129 North Main Street, North Carolina.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Town of Rutherfordton ABC Board</u>
Assets:				
Current assets:				
Cash and investments	\$ 1,813,106	\$ 1,072,783	\$ 2,885,889	\$ 161,738
Taxes receivable, net	33,427	-	33,427	-
Receivables, net	546,710	246,335	793,045	-
Inventory	-	-	-	358,380
Prepaid items	-	-	-	3,849
Restricted cash	2,448,769	-	2,448,769	-
Total current assets	<u>4,842,012</u>	<u>1,319,118</u>	<u>6,161,130</u>	<u>523,967</u>
Non-current assets:				
Capital assets:				
Land and other non-depreciable assets	934,916	18,750	953,666	5,098
Other capital assets, net of depreciation	5,642,240	8,193,470	13,835,710	41,688
Total capital assets	<u>6,577,156</u>	<u>8,212,220</u>	<u>14,789,376</u>	<u>46,786</u>
Restricted assets:				
Endowment Fund	607,056	-	607,056	-
Total non-current assets	<u>7,184,212</u>	<u>8,212,220</u>	<u>15,396,432</u>	<u>46,786</u>
Total assets	<u>12,026,224</u>	<u>9,531,338</u>	<u>21,557,562</u>	<u>570,753</u>
Deferred Outflows of Resources:				
Pension deferrals	1,164,745	20,910	1,185,655	64,643
Total deferred outflows of resources	<u>1,164,745</u>	<u>20,910</u>	<u>1,185,655</u>	<u>64,643</u>
Liabilities:				
Current liabilities:				
Accounts payable	91,302	22,585	113,887	181,694
Accrued payroll and other liabilities	63,937	2,854	66,791	5,164
Advance from grantor	1,609,061	-	1,609,061	-
Due within one year	359,948	140,927	500,875	-
Total current liabilities	<u>2,124,248</u>	<u>166,366</u>	<u>2,290,614</u>	<u>186,858</u>
Long-term liabilities:				
Due in more than one year	1,695,627	1,420,127	3,115,754	-
Net pension liability - LGERS	1,577,036	32,464	1,609,500	64,876
Total pension liability - LEOSSA	333,590	-	333,590	-
Total long-term liabilities	<u>3,606,253</u>	<u>1,452,591</u>	<u>5,058,844</u>	<u>64,876</u>
Total liabilities	<u>5,730,501</u>	<u>1,618,957</u>	<u>7,349,458</u>	<u>251,734</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Town of Rutherfordton ABC Board</u>
Deferred Inflows of Resources:				
Prepaid taxes	176	-	176	-
Pension deferrals	259,098	984	260,082	274
Total deferred inflows of resources	<u>259,274</u>	<u>984</u>	<u>260,258</u>	<u>274</u>
Net Position:				
Net investment in capital assets	5,113,357	6,665,314	11,778,671	46,786
Restricted for:				
Stabilization by state statute	546,710	-	546,710	-
General government	500,000	-	500,000	-
Public safety	48,073	-	48,073	-
Powell Bill - Streets	203,489	-	203,489	-
Cultural and recreation	8,787	-	8,787	-
Recreation endowment	6,333	-	6,333	-
Perpetual maintenance	552,216	-	552,216	-
Working capital	-	-	-	64,487
Unrestricted	<u>222,229</u>	<u>1,266,993</u>	<u>1,489,222</u>	<u>272,115</u>
Total net position	<u>\$ 7,201,194</u>	<u>\$ 7,932,307</u>	<u>\$ 15,133,501</u>	<u>\$ 383,388</u>

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

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TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ 1,443,708	\$ 249,928	\$ 171,654	\$ -
Public safety	3,136,279	49,388	1,373,072	-
Transportation and environmental protection	1,274,666	1,765	156,882	-
Cultural and recreation	206,900	30,836	-	-
Interest on long-term debt	34,172	-	-	-
Total governmental activities	<u>6,095,725</u>	<u>331,917</u>	<u>1,701,608</u>	<u>-</u>
Business-Type Activities:				
Sewer	<u>1,360,063</u>	<u>1,320,130</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 7,455,788</u>	<u>\$ 1,652,047</u>	<u>\$ 1,701,608</u>	<u>\$ -</u>
Component Unit:				
ABC Board	<u>\$ 2,094,358</u>	<u>\$ 2,163,581</u>	<u>\$ -</u>	<u>\$ -</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Component Unit</u>
	<u>Primary Government</u>			<u>Town of Rutherfordton ABC Board</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Functions/Programs:				
Primary Government:				
Governmental Activities:				
General government	\$ (1,022,126)	\$ -	\$ (1,022,126)	
Public safety	(1,713,819)	-	(1,713,819)	
Transportation and environmental protection	(1,116,019)	-	(1,116,019)	
Cultural and recreation	(176,064)	-	(176,064)	
Interest on long-term debt	(34,172)	-	(34,172)	
Total governmental activities	<u>(4,062,200)</u>	<u>-</u>	<u>(4,062,200)</u>	
Business-Type Activities:				
Sewer	-	(39,933)	(39,933)	
Total primary government	<u>(4,062,200)</u>	<u>(39,933)</u>	<u>(4,102,133)</u>	
Component Unit:				
ABC Board				<u>\$ 69,223</u>
General Revenues:				
Taxes:				
Property taxes, levied for general purpose	2,442,390	-	2,442,390	-
Local option sales tax	1,116,627	-	1,116,627	-
Other taxes and licenses	835,818	-	835,818	-
Investment earnings, unrestricted	163,853	32,390	196,243	-
Miscellaneous, unrestricted	<u>173,653</u>	<u>38,988</u>	<u>212,641</u>	<u>-</u>
Total general revenues	<u>4,732,341</u>	<u>71,378</u>	<u>4,803,719</u>	<u>-</u>
Change in net position	670,141	31,445	701,586	69,223
Net Position:				
Beginning of year - July 1	<u>6,531,053</u>	<u>7,900,862</u>	<u>14,431,915</u>	<u>314,165</u>
End of year - June 30	<u>\$ 7,201,194</u>	<u>\$ 7,932,307</u>	<u>\$ 15,133,501</u>	<u>\$ 383,388</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Norris Recreation Complex Project Fund	American Recovery Plan Fund		
Assets:					
Cash and investments	\$ 1,984,610	10,495	\$ 23,441	\$ 401,616	\$ 2,420,162
Restricted cash and investments	760,349	700,000	381,364	607,056	2,448,769
Taxes receivable, net	33,427	-	-	-	33,427
Other receivables, net	546,710	-	-	-	546,710
Total assets	<u>\$ 3,325,096</u>	<u>\$ 710,495</u>	<u>\$ 404,805</u>	<u>\$ 1,008,672</u>	<u>\$ 5,449,068</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:					
Liabilities:					
Accounts payable	\$ 91,302	\$ -	\$ -	\$ -	\$ 91,302
Accrued payroll and other liabilities	63,937	-	-	-	63,937
Advance from grantor	527,697	700,000	381,364	-	1,609,061
Total liabilities	<u>682,936</u>	<u>700,000</u>	<u>381,364</u>	<u>-</u>	<u>1,764,300</u>
Deferred Inflows of Resources:					
Property taxes receivable	33,427	-	-	-	33,427
Prepaid taxes	176	-	-	-	176
Total deferred inflows of resources	<u>33,603</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,603</u>
Fund Balances:					
Non-spendable:					
Perpetual maintenance	-	-	-	552,216	552,216
Restricted:					
Stabilization by state statute	546,710	-	-	-	546,710
Restricted for recreation endowment	-	-	-	6,333	6,333
Restricted, all other	760,349	-	-	400,000	1,160,349
Committed	-	10,495	23,441	50,123	84,059
Assigned, all other	157,797	-	-	-	157,797
Assigned for subsequent year's expenditures	60,780	-	-	-	60,780
Unassigned	1,082,921	-	-	-	1,082,921
Total fund balances	<u>2,608,557</u>	<u>10,495</u>	<u>23,441</u>	<u>1,008,672</u>	<u>3,651,165</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,325,096</u>	<u>\$ 710,495</u>	<u>\$ 404,805</u>	<u>\$ 1,008,672</u>	<u>\$ 5,449,068</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023**

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

Total fund balances	\$ 3,651,165
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,577,156
Deferred inflows in the governmental funds are used to offset accounts receivable not expected to be available within 90 days of year-end. These receivables are a component of net assets in the Statement of Net Position.	33,427
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(2,055,575)
Net pension liability LGERS	(1,577,036)
Total pension liability LEOSSA	(333,590)
Pension related deferrals	<u>905,647</u>
Net position of governmental activities	<u>\$ 7,201,194</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Major Funds				Total Governmental Funds
	General Fund	Norris Recreation Complex Project Fund	American Recovery Plan Fund	Nonmajor Funds	
Revenues:					
Ad valorem taxes	\$ 2,452,142	\$ -	\$ -	\$ -	\$ 2,452,142
Unrestricted intergovernmental revenues	1,542,142	-	-	-	1,542,142
Restricted intergovernmental revenues	1,105,038	-	672,715	-	1,777,753
Sales and services	730,226	-	-	-	730,226
Investment earnings	111,875	10,495	22,403	19,080	163,853
Miscellaneous	123,653	-	-	50,000	173,653
Total revenues	<u>6,065,076</u>	<u>10,495</u>	<u>695,118</u>	<u>69,080</u>	<u>6,839,769</u>
Expenditures:					
Current:					
General government	1,406,900	-	-	-	1,406,900
Public safety	3,262,864	-	1,125	472,303	3,736,292
Transportation and environmental protection	1,118,274	-	-	-	1,118,274
Cultural and recreational	607,557	-	-	-	607,557
Debt service:					
Principal retirement	218,148	-	-	-	218,148
Interest and other charges	34,172	-	-	-	34,172
Total expenditures	<u>6,647,915</u>	<u>-</u>	<u>1,125</u>	<u>472,303</u>	<u>7,121,343</u>
Revenues over (under) expenditures	<u>(582,839)</u>	<u>10,495</u>	<u>693,993</u>	<u>(403,223)</u>	<u>(281,574)</u>
Other Financing Sources (Uses):					
Sale of capital assets	52,978	-	-	-	52,978
Transfers from other funds	671,590	-	-	472,303	1,143,893
Transfers to other funds	(472,303)	-	(671,590)	-	(1,143,893)
Unrealized gain (loss) on investment	-	-	-	(112,024)	(112,024)
Installment purchases issued	545,000	-	-	400,000	945,000
Total other financing sources (uses)	<u>797,265</u>	<u>-</u>	<u>(671,590)</u>	<u>760,279</u>	<u>885,954</u>
Net change in fund balances	214,426	10,495	22,403	357,056	604,380
Fund Balances:					
Beginning of year - July 1	<u>2,394,131</u>	<u>-</u>	<u>1,038</u>	<u>651,616</u>	<u>3,046,785</u>
End of year - June 30	<u>\$ 2,608,557</u>	<u>\$ 10,495</u>	<u>\$ 23,441</u>	<u>\$ 1,008,672</u>	<u>\$ 3,651,165</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

Amounts reported for governmental activities in the Statement of Activities (Exhibit B)
are different due to the following items:

Total net change in fund balances - total governmental funds	\$ 604,380
Property tax revenues and other fees and services in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds statement.	(9,752)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	(55,859)
Capital outlays are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay are not expenses, rather an increase in capital assets.	1,695,083
Pension expense - LEOSSA	(4,301)
Pension expense - LGERS	(162,952)
Depreciation and amortization expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(663,515)
In the Statement of Activities, only the gain or loss on disposal of capital assets is reported, whereas, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.	(6,091)
The issuance of a debt proceeds and lease issuance provides current financial resources to governmental funds, but does not affect net position.	(945,000)
Principal repayments are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, these transactions are not an expense, rather they are a decrease in liabilities.	<u>218,148</u>
Total change in net position of governmental activities	<u>\$ 670,141</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
Revenues:				
Ad valorem taxes	\$ 2,406,194	\$ 2,406,194	\$ 2,452,142	\$ 45,948
Unrestricted intergovernmental revenues	1,418,500	1,487,000	1,542,142	55,142
Restricted intergovernmental revenues	1,118,647	2,984,884	1,105,038	(1,879,846)
Sales and services	683,500	691,000	730,226	39,226
Investment earnings	3,500	3,500	111,875	108,375
Miscellaneous	87,000	194,070	123,653	(70,417)
Total revenues	<u>5,717,341</u>	<u>7,766,648</u>	<u>6,065,076</u>	<u>(1,701,572)</u>
Expenditures:				
Current:				
General government	781,658	2,024,121	1,406,900	617,221
Public safety	2,605,007	4,080,066	3,262,864	817,202
Transportation and environmental protection	1,064,540	1,175,227	1,118,274	56,953
Cultural and recreational	1,214,168	1,410,631	607,557	803,074
Debt service:				
Principal retirement	268,396	258,396	218,148	40,248
Interest and other charges	34,172	34,172	34,172	-
Total expenditures	<u>5,967,941</u>	<u>8,982,613</u>	<u>6,647,915</u>	<u>2,334,698</u>
Revenues over (under) expenditures	<u>(250,600)</u>	<u>(1,215,965)</u>	<u>(582,839)</u>	<u>633,126</u>
Other Financing Sources (Uses):				
Sale of capital assets	31,500	51,742	52,978	1,236
Installment purchases issued	-	248,475	545,000	296,525
Transfers from other funds	181,500	853,090	671,590	(181,500)
Transfers to other funds	-	(472,303)	(472,303)	-
Appropriated fund balance	37,600	534,961	-	(534,961)
Total other financing sources (uses)	<u>250,600</u>	<u>1,215,965</u>	<u>797,265</u>	<u>(418,700)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	214,426	<u>\$ 214,426</u>
Fund Balance:				
Beginning of year - July 1			<u>2,394,131</u>	
End of year - June 30			<u>\$ 2,608,557</u>	

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

	<u>Business-Type Activities</u>
	<u>Major</u>
	<u>Sewer Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 1,072,783
Accounts receivable, net	246,335
Total current assets	<u>1,319,118</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	18,750
Other capital assets, net of depreciation	<u>8,193,470</u>
Total non-current assets	<u>8,212,220</u>
Total assets	<u>9,531,338</u>
Deferred Outflows of Resources:	
Pension deferrals	<u>20,910</u>
Liabilities:	
Current liabilities:	
Accounts payable	22,585
Accrued payroll	2,854
Current portion of long-term obligations	<u>140,927</u>
Total current liabilities	<u>166,366</u>
Non-current liabilities:	
Other non-current liabilities:	
Compensated absences	12,733
Net pension liability	32,464
Long-term obligations	<u>1,407,394</u>
Total non-current liabilities	<u>1,452,591</u>
Total liabilities	<u>1,618,957</u>
Deferred Inflows of Resources:	
Pension deferrals	<u>984</u>
Net Position:	
Net investment in capital assets	6,665,314
Unrestricted	<u>1,266,993</u>
Total net position	<u>\$ 7,932,307</u>

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities
	Major
	Sewer Fund
Operating Revenues:	
Charges for services	\$ 1,320,130
Operating Expenses:	
Administration	188,884
Other operating expenses	759,476
Depreciation and amortization	374,118
Total operating expenses	1,322,478
Operating income (loss)	(2,348)
Non-Operating Revenues (Expenses):	
Miscellaneous income	38,988
Interest income	32,390
Interest expense	(37,585)
Total non-operating revenues (expenses)	33,793
Change in net position	31,445
Net Position:	
Beginning of year - July 1	7,900,862
End of year - June 30	\$ 7,932,307

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Business-Type Activities
	Major
	Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,321,066
Cash paid for goods and services	(760,821)
Cash paid to employees for services	(182,303)
Net cash provided (used) by operating activities	<u>377,942</u>
Cash Flows from Non-Capital Financing Activities:	
Miscellaneous revenues	<u>38,988</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(154,154)
Proceeds from debt issuance	76,017
Long-term debt payments	(141,683)
Interest paid	(37,585)
Net cash provided (used) for capital and related financing activities	<u>(257,405)</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>32,390</u>
Net increase (decrease) in cash and cash equivalents	191,915
Cash and Cash Equivalents:	
Beginning of year - July 1	<u>880,868</u>
End of year - June 30	<u>\$ 1,072,783</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>\$ (2,348)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	374,118
Changes in assets and liabilities:	
(Increase) decrease in deferred outflows of resources - pension	(7,767)
Increase (decrease) in net pension liability	23,479
(Increase) decrease in accounts receivable	936
Increase (decrease) in accounts payable and accrued liabilities	(371)
Increase (decrease) in accrued vacation pay	2,282
Increase (decrease) in deferred inflows of resources - pension	<u>(12,387)</u>
Total adjustments	<u>380,290</u>
Net cash provided (used) by operating activities	<u>\$ 377,942</u>

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

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TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Rutherfordton, North Carolina, (the Town), and its discretely presented component unit conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation, which is governed by an elected mayor and a four-member council. The municipality utilizes the council-manager form of government. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component unit presented below are reported in a separate column in the Town's financial statement in order to emphasize that it is a legally separate from the Town.

Town of Rutherfordton ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by state statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a Proprietary Fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative office located at Highway 221 South, Rutherfordton, NC 28139.

B. Basis of Presentation

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

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

The Town has no fiduciary funds to report.

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

The Town reports the following major governmental 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 and state-shared revenues. The primary expenditures are for public safety, street maintenance, and sanitation service.

American Recovery Plan Fund. This special revenue grant project fund is used to account for the American Rescue Plan grant.

Norris Recreation Complex Project Fund. This capital project fund accounts for the planning and resources to be used for construction and renovation of Norris Recreation Complex. This capital project fund is funded by grants and donations.

The Town reports the following nonmajor governmental funds:

Permanent Fund. Pursuant to the authority granted by the North Carolina Session Law of 1981, Chapter 403, the Town Council adopted an ordinance creating a perpetual recreation trust fund. The fund is authorized to receive undesignated gifts, grants and bequests of tangible and intangible properties. The principal of the fund shall constitute a perpetual trust fund, and no part of the original principal shall be expended for any purpose.

Fire Station #2 Project Fund. This capital project fund accounts for the planning, renovation, and resources to be used for the construction of Fire Station #2. This capital project fund is funded by grants, transfers, debt.

The Town reports the following major enterprise fund:

Sewer Fund. This fund is used to account for the Town's sewer operations. RS Middle School Project, Public Works Building Project, and Sewer Improvements Project have been consolidated into the Sewer Fund for financial reporting purposes.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budget is adopted as required by the North Carolina General Statutes. An annual budget is adopted for the general and enterprise funds. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the RS Middle School Project Fund, the Public Works Building Project Fund, the Sewer Improvements Project Fund, the Norris Recreation Complex Project Fund, the Fire Station #2 Project Fund, and the American Recovery Plan Special Revenue Fund. The enterprise projects are consolidated with their operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and the project level for multi-year funds. The governing board must approve any revision of the original budget. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted. The Permanent Fund is not required to be budgeted.

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

Deposits and Investments

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

State law (G.S. 159-30) authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town's and the ABC Board's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, an SEC-registered (2a-7) government money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with maturity of less than 6 months.

In accordance with state law, the Town has invested in securities, which are callable and provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market price.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to 10-31 pg maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. The ABC Board considers all investments and other highly liquid debt instrument purchases with a maturity of three months or less to be cash and cash equivalents.

Restricted Assets

Powell Bill funds of \$203,489 are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. The police department received revenue from the state from the illegal substance tax, and the remaining balance of \$6,268 is restricted for use by the department. The Fire Station #2 Fund received revenues from debt proceeds, \$400,000 of these funds are unspent and restricted for the construction of fire station #2. Cultural and recreation has cash balances of \$8,787 that is restricted for culture and recreational uses only. The General Fund, the American Recovery Plan Fund, and the Norris Recreation Complex Fund received advances from grantors, and those remaining funds and related investment earnings of \$1,623,169 are restricted for use specified under the grants. The Permanent Fund received restricted donations and balance of that investment of \$207,056 is restricted.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Town of Rutherfordton - Restricted Cash

Governmental Activities:

General Fund:

Streets	\$ 203,489
General government	500,000
Public safety	48,073
Cultural and recreational	8,787
Total General Fund	<u>760,349</u>

American Recovery Plan Fund 381,364

Norris Recreation Complex Fund 700,000

Non Major Funds:

Fire Station #2 400,000

Permanent Fund 207,056

Total restricted cash \$ 2,448,769

Ad Valorem Taxes Receivable

In accordance with state law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2022.

Allowances for Doubtful Accounts

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

Inventories and Prepaid Items

The inventories of the ABC board are valued at cost (first-in, first-out), which approximates market. It consists of products held for subsequent resale. The cost of this inventory is expensed when sold rather than purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

The Town began capitalizing public domain (“infrastructure”) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems as of July 1, 2003. Infrastructure assets exceeding the Town’s capitalization threshold of \$500 will be reported as capital assets in the Statement of Net Position. General governmental infrastructure assets acquired prior to July 1, 2003 were not retroactively reported. 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.

Governmental fund capital assets of the Town are depreciated using the straight-line method over the assets’ estimated useful lives. These assets are reported in the Town’s basic financial statements net of accumulated depreciation. The estimated useful lives for the Town’s governmental capital assets are as follows:

Governmental Funds	
<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building and improvements	15-50 years
Equipment and vehicles	5-15 years
Computer equipment	5 years

Proprietary fund capital assets of the Town are depreciated using the straight-line method over the assets’ estimated useful lives. These assets are reported in the Town’s basic financial statements net of accumulated depreciation. The estimated useful lives for the Town’s proprietary fund capital assets are as follows:

Proprietary Fund	
<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Pump stations and sewer lines	20-50 years
Wastewater treatment plant	10-40 years
Streets	10 years
Equipment	5-10 years

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Right-to-Use Assets

The Town has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 assets 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 meets this criterion: pension deferrals.

In addition to liabilities, the Statement of Net 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet these criteria – property taxes receivable, prepaid taxes, and pension deferrals.

Compensated Absences

Each employee, except for police and fire, of the Town working the basic work week of 40 hours per week shall earn annual leave at the following rates:

<u>Years of Service</u>	<u>Accrued Per Year</u>
1-9	10 days per year
10+	15 days per year

Police department employees earn vacation leave at the following rate:

<u>Years of Service</u>	<u>Accrued Per Year</u>
1-9	96 hours per year
10+	144 hours per year

Fire department employees earn vacation leave at the following rate:

<u>Years of Service</u>	<u>Accrued Per Year</u>
1-9	112 hours per year
10+	168 hours per year

Vacation leave earned by regular employees having a work week with fewer or greater than 40 hours per week shall be calculated in accordance with a formula set forth in the Town's policy. The results of the calculation will adjust the employees' accrual either up or down depending on their individual circumstance.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Vacation leave may be accumulated up to 30 days per year maximum. Vacation accumulated beyond this amount will automatically roll to sick leave at the end of the calendar year. If the employee separates from service, payment for accumulated annual leave shall not exceed 30 days. The Town records a liability for accrued vacation.

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

Long-Term Obligations

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

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as other financing sources.

The Town's long-term debt for the sewer system improvements is carried within the Enterprise Fund. The debt service requirements for that debt are being met by sewer revenues.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

Non-Spendable Fund Balance

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

Perpetual Maintenance – cash and shares of common stock held in the Rutherfordton Recreation Trust Fund.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Restricted for General Government – portion of fund balance that is restricted by revenue source for the SCIF grant expenditures.

Restricted for Public Safety – portion of fund balance that is restricted by revenue source for public safety expenditures.

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.

Restricted for Cultural and Recreation – portion of fund balance that is restricted by revenue source for downtown revitalization and for parks.

Restricted for Recreation Endowment – portion of fund balance that is restricted by revenue source for the Recreation Trust Fund.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Restricted fund balance at June 30, 2023 is as follows:

Purpose	General Fund	Non-Major Funds
General government	\$ 500,000	\$ -
Public safety	48,073	400,000
Streets	203,489	-
Cultural and recreation	8,787	-
Recreation endowment	-	6,333
Total	\$ 760,349	\$ 406,333

Restricted net position on Exhibit A varies from restricted fund balance on Exhibit C by the amount of unspent debt proceeds of \$400,000 as of June 30, 2023.

Committed Fund Balance

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

Committed for General Government – portion of fund balance that is committed by the Town for the purpose of the grant.

Committed for Public Safety – portion of fund balance that is committed by the Town for the construction of fire station #2.

Committed for Cultural and Recreation – portion of fund balance that is committed by the Town for the construction and renovation of the Norris Recreation Complex.

Purpose	Non Major Funds	Norris Recreation Complex Fund	American Recovery Plan Fund
General government	\$ -	\$ -	\$ 23,441
Public safety	50,123	-	-
Cultural and recreation	-	10,495	-
Total	\$ 50,123	\$ 10,495	\$ 23,441

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Assigned Fund Balance

Assigned fund balance is the portion of fund balance that the Town intends to use for specific purposes. The Town's governing body has the authority to assign fund balance. The Manager, as granted in the officially adopted budget ordinance, has been granted limited authority to assign fund balance.

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

Assigned for Public Safety – portion of fund balance that has been budgeted by the Board for future capital outlay purchases for fire and public works departments.

Assigned for Cultural and Recreation – portion of fund balance that has been budgeted by the Board for improvements for urban redevelopment, community garden, and neighborhood stabilization.

<u>Purpose</u>	<u>General Fund</u>
Subsequent year's expenditures	\$ 60,780
Public safety	51,623
Cultural and recreation	<u>106,174</u>
Total	<u>\$ 218,577</u>

Unassigned Fund Balance

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

The Town of Rutherfordton does not have a formal revenue spending policy. For purposes of fund balance classification, it is the practice of the Finance Officer to use restricted resources before any other designation of fund balance.

The Town of Rutherfordton has not adopted a minimum fund balance policy.

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 Rutherfordton'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 RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

2. Stewardship, Compliance, and Accountability

A. Non-Compliance with North Carolina General Statutes

Marketable securities held by the Town violate the investment regulations of G.S. 159-30. The marketable securities were gifted by citizens of the Town. Because of the tremendous growth potential of the securities, the donors requested that the Town retain the stock. The Town intends to honor the request and does not foresee disposing of the securities until it is believed that profits can be maximized.

B. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2023, the expenditures made in the Town's Sewer Fund exceeded the authorized appropriations made by the governing board for operations by \$9,392. This over expenditure occurred because the government failed to amend its annual budget to properly budget lease debt service payments. Management and staff will more closely evaluate future lease debt service payments to ensure compliance in future years.

3. Detail Notes on All Funds

A. Assets

Deposits

All the deposits of the Town and ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's and ABC Board's, agent 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 and ABC Board, these deposits are considered to be held by the Town's and ABC Board'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 and ABC Board, or their escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and ABC Board under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the state Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town and ABC Board comply with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The Town and ABC Board do not have a formal policy for custodial credit risk for deposits.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

On June 30, 2023, the Town’s deposits had a carrying amount of \$1,260,474 and a bank balance of \$1,437,719. For the bank balance, \$500,000 was covered by federal depository insurance and the remaining balance was covered by the pooling method. At June 30, 2023, the Town’s petty cash totaled \$279.

Investments

At June 30, 2023, the Town’s investment balances were as follows:

<u>Investment Type</u>	<u>Valuation Measurement Method</u>	<u>Fair Value</u>	<u>Less Than 6 Months</u>	<u>Maturity</u>	<u>Rating</u>
Dominion Energy Inc.	Fair Value - Level 1	\$ 207,056	NA	Daily	Unrated
North Carolina Capital Management Trust Government Portfolio	Fair Value - Level 1	<u>4,473,905</u>	NA	NA	AAAm
Total		<u>\$ 4,680,961</u>			

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

Level of fair value hierarchy: Level 1: Debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk – The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

The Town’s investment in marketable securities is unrated. The Town’s investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor’s and AAA-mf by Moody’s Investors Service as of June 30, 2023.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Concentration of Credit Risk – The Town places no limit on the amount that the Town may invest in any one issuer.

The Rutherfordton Recreation Trust Fund (Fiduciary) holds 3,998 shares of common stock in Dominion Energy Inc., received as a gift to the Trust. These stocks are being held according to the terms of the unitrust agreements and terms stipulated by the donors. The value at the date of the gift was \$28,660. At June 30, 2023, there is an unrealized gain to market value of \$207,056.

The marketable securities are in violation of G.S. 159-30.

At June 30, 2023, the ABC Board had no investments.

Receivables

At June 30, 2023, the Town’s accounts receivables and allowance for doubtful account balances were as follows:

	Accounts	Taxes and Accrued Interest	Due from Other Governments	Total
Governmental Activities:				
General	\$ 45,058	\$ 49,155	\$ 501,652	\$ 595,865
Allowance for doubtful accounts	-	(15,728)	-	(15,728)
Total governmental activities	\$ 45,058	\$ 33,427	\$ 501,652	\$ 580,137
Business-Type Activities:				
Sewer	\$ 312,878	\$ -	\$ -	\$ 312,878
Allowance for doubtful accounts	(66,543)	-	-	(66,543)
Total business-type activities	\$ 246,335	\$ -	\$ -	\$ 246,335

Due from other governments that is owed to the Town consists of the following:

Due from Other Governments	
Description	Total
Local option sales tax	\$ 274,364
Utility franchise tax	93,287
Sales tax refund	70,312
Other	63,689
Total	\$ 501,652

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Capital asset activity for the Town for the year ended June 30, 2023 was as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	\$ 445,528	\$ 17,085	\$ -	\$ 462,613
Construction in progress	<u>-</u>	<u>472,303</u>	<u>-</u>	<u>472,303</u>
Total non-depreciable capital assets	<u>445,528</u>	<u>489,388</u>	<u>-</u>	<u>934,916</u>
Depreciable Capital Assets:				
Buildings and building improvements	6,495,331	574,106	-	7,069,437
Equipment and vehicles	6,777,272	631,589	170,460	7,238,401
Computer equipment	<u>85,334</u>	<u>-</u>	<u>-</u>	<u>85,334</u>
Total depreciable capital assets	<u>13,357,937</u>	<u>1,205,695</u>	<u>170,460</u>	<u>14,393,172</u>
Right-to-Use Leased Assets:				
Leased equipment	<u>13,604</u>	<u>-</u>	<u>986</u>	<u>12,618</u>
Less Accumulated Depreciation:				
Buildings	4,517,219	193,706	-	4,710,925
Equipment and vehicles	3,666,519	456,661	165,355	3,957,825
Computer equipment	<u>81,117</u>	<u>1,100</u>	<u>-</u>	<u>82,217</u>
Total accumulated depreciation	<u>8,264,855</u>	<u>651,467</u>	<u>165,355</u>	<u>8,750,967</u>
Less Accumulated Amortization:				
Leased equipment	<u>535</u>	<u>13,034</u>	<u>986</u>	<u>12,583</u>
Total depreciable capital assets, net	<u>5,106,151</u>			<u>5,642,240</u>
Governmental activities capital assets, net	<u>\$ 5,551,679</u>			<u>\$ 6,577,156</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

General government	\$	135,131
Public safety		250,661
Transportation and environmental		112,629
Culture and recreation		166,080
Total	<u>\$</u>	<u>664,501</u>

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2023</u>
Business-Type Activities:					
Non-Depreciable Capital Assets:					
Land	\$ 18,750	\$ -	\$ -	\$ -	\$ 18,750
Construction in progress	<u>1,072,026</u>	<u>101,444</u>	<u>-</u>	<u>(1,173,470)</u>	<u>-</u>
Total non-depreciable capital assets	<u>1,090,776</u>	<u>101,444</u>	<u>-</u>	<u>(1,173,470)</u>	<u>18,750</u>
Depreciable Capital Assets:					
Pump stations and sewer lines	7,328,061	-	-	1,173,470	8,501,531
Wastewater treatment plant	5,205,826	8,280	-	-	5,214,106
Streets	42,284	-	-	-	42,284
Equipment	<u>683,645</u>	<u>44,430</u>	<u>-</u>	<u>-</u>	<u>728,075</u>
Total depreciable capital assets	<u>13,259,816</u>	<u>52,710</u>	<u>-</u>	<u>1,173,470</u>	<u>14,485,996</u>
Right-to-Use Leased Assets:					
Leased equipment	<u>118,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,703</u>
Less Accumulated Depreciation:					
Pump stations and sewer lines	2,391,663	182,661	-	-	2,574,324
Wastewater treatment plant	3,144,733	110,891	-	-	3,255,624
Streets	11,833	1,791	-	-	13,624
Equipment	<u>468,929</u>	<u>52,565</u>	<u>-</u>	<u>-</u>	<u>521,494</u>
Total accumulated depreciation	<u>6,017,158</u>	<u>347,908</u>	<u>-</u>	<u>-</u>	<u>6,365,066</u>
Less Accumulated Amortization:					
Leased equipment	<u>19,953</u>	<u>26,210</u>	<u>-</u>	<u>-</u>	<u>46,163</u>
Total depreciable capital assets, net	<u>7,341,408</u>				<u>8,193,470</u>
Business-type activities capital assets, net	<u>\$ 8,432,184</u>				<u>\$ 8,212,220</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Construction Commitments

The Town has active construction projects as of June 30, 2023. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Fire Station #2 Project	\$ 472,303	\$ 582,697

B. Liabilities

Payables

Payables at the government-wide level at June 30, 2023 were as follows:

	Vendors	Salaries and Benefits	Total
Governmental Activities:			
General	\$ 91,302	\$ 63,937	\$ 155,239
Business-Type Activities:			
Sewer	\$ 22,585	\$ 2,854	\$ 25,439

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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.

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rutherfordton 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 Rutherfordton's contractually required contribution rate for the year ended June 30, 2023, was 13.10% of compensation for law enforcement officers and 12.15% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Rutherfordton were \$271,715 for the year ended June 30, 2023.

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 RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

At June 30, 2023, the Town reported a liability of \$1,609,500 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 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, 2022 (measurement date), the Town's proportion was 0.02853%, which was an increase of 0.00013% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of \$437,993. At June 30, 2023, 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	\$ 69,352	\$ 6,800
Changes of assumptions	160,592	-
Net difference between projected and actual earnings on pension plan investment	531,956	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	32,866
Town contributions subsequent to the measurement date	271,715	-
Total	\$ 1,033,615	\$ 39,666

\$271,715 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ 220,892
2025	192,049
2026	55,861
2027	253,432
Total	\$ 722,234

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

The plan actuary 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. public plan population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions and methods used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study prepared as December 31, 2019 and adopted by the Board of Trustees on January 28, 2021.

Future and ad hoc cost of living adjustment 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.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 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	33.0%	0.9%
Global equity	38.0%	6.5%
Real estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Opportunistic Fixed Income	7.0%	5.0%
Inflation Sensitive	<u>6.0%</u>	2.7%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with an investment consulting firm as part of a study that was completed in early 2022, and is part of the asset, liability, and investment policy of the North Carolina Retirement Systems. 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 2.25%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

Discount Rate. The discount rate used to measure the total pension liability was 6.50%. 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.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.50 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 (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability	\$ 2,904,939	\$ 1,609,500	\$ 541,982

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.

Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Rutherfordton administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five years or more years of creditable service. The Separation Allowance is equal to .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. A separate report was not issued for the plan.

All full-time law enforcement officers of the Town are covered by the Separation Allowance.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	13
Total	14

A separate report was not issued for the plan.

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 to be 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.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

Actuarial Assumptions. The entry age normal actuarial cost method was used in the December 31, 2021 valuation the total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	4.31 percent

The discount rate used to measure the TPL is the S&P Municipal Bond 20-Year High Grade Rate Index.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ended December 31, 2019.

Mortality Assumption: All mortality rates use Pub-2010 amount-weighted tables.

Mortality Projection: All mortality rates are projected from 2010 using generational improvement with Scale MP-2019.

Deaths After Retirement (Healthy): Mortality rates are based on the Safety Mortality Table for Retirees. Rates for all members are multiplied by 97% and set forward by 1 year.

Deaths After Retirement (Disabled Members at Retirement): Mortality rates are based on the Non-Safety Mortality Table for Disabled Retirees. Rates for set back 3 years for all ages.

Deaths After Retirement (Survivors of Deceased Members): Mortality rates are based on the Below-median Teachers Mortality Table for Contingent Survivors. Rates for male members are set forward 3 years. Rates for female members are set forward 1 year. Because the contingent survivor tables have no rates prior to ages 45, the Below-median Teachers Mortality Table for Employees is used for all ages less than 45.

Deaths Prior to Retirement: Mortality rates are based on the Safety Mortality Table for Employees.

Contributions. The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments 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 \$21,267 in benefits for the reporting period.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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

At June 30, 2023, the Town reported a pension liability of \$333,590. The total pension liability was measured as of December 31, 2022 based on a December 31, 2021 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2022 utilizing update procedures incorporating actuarial assumptions. For the year ended June 30, 2023, the Town recognized pension expense of \$25,568.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,073	\$ 139,585
Changes of assumptions	75,356	80,831
Town benefit payments and plan administrative expense made subsequent to the measurement date	10,611	-
Total	\$ 152,040	\$ 220,416

\$10,611 paid as benefits came due subsequent to the measurement date and have been reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2024	\$ (11,446)
2025	(26,569)
2026	(17,029)
2027	4,098
2028	(10,981)
Thereafter	(17,060)
Total	\$ (78,987)

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 4.31 percent, as well as the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current rate:

	1% Decrease (3.31%)	Discount Rate (4.31%)	1% Increase (5.31%)
Total pension liability	\$ 369,441	\$ 333,590	\$ 301,488

**Schedules of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance**

	2023
Beginning balance	\$ 439,508
Service cost	23,127
Interest on the total pension liability	9,650
Difference between expected and actual experience	(39,198)
Changes of assumptions and other inputs	(78,230)
Benefit payments	(21,267)
Ending balance of the total pension liability	\$ 333,590

Changes of Assumptions. Changes of assumptions and other inputs reflect a change in the discount rate from 2.25 percent at December 31, 2021 to 4.31 percent at December 31, 2022.

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 on to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 437,993	\$ 25,568	\$ 463,561
Pension liability	1,609,500	333,590	1,943,090
Proportionate share of the net pension liability	0.02853%	NA	-

Deferred Outflows of Resources

Differences between expected and actual experience	\$ 69,352	\$ 66,073	\$ 135,425
Changes of assumptions	160,592	75,356	235,948
Net difference between projected and actual earnings on pension plan investment	531,956	-	531,956
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	271,715	10,611	282,326
	\$ 1,033,615	\$ 152,040	\$ 1,185,655

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 6,800	\$ 139,585	\$ 146,385
Changes of assumptions	-	80,831	80,831
Changes in proportion and differences between Town contributions and proportionate share of contributions	32,866	-	32,866
	\$ 39,666	\$ 220,416	\$ 260,082

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Supplemental Retirement Income Plan

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 all employees of the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The state's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$20,872 for the reporting year. No amounts were forfeited.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump-sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to 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 monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the state. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources are comprised of the following:

Pension deferrals	\$	1,033,615
LEOSSA deferrals		152,040
Total	\$	1,185,655

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

	Statement of Net Position	General Fund Balance Sheet
Property taxes receivable	\$ -	\$ 33,427
Prepaid taxes	176	176
Pension deferrals	39,666	-
LEOSSA deferrals	220,416	-
Total	\$ 260,258	\$ 33,603

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these risks through an insurance program in place with Houston Casualty Company that has a specialized municipality program. Through this program, the Town obtains general liability and auto liability coverage of \$1,000,000 per occurrence; property coverage up to the total insurance values of the property policy. The workers' compensation coverage up to the statutory limits of North Carolina, is provided by Associated Insurance Administrators. The Town provides health insurance for employees. The current plan is the North Carolina State Health plan through Blue Cross Blue Shield.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the last three fiscal years. The Town does carry a blanket limit of \$1,000,000 for flood insurance and a blanket \$1,000,000 limit for earthquake insurance.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more of the Town's funds at any given time are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$50,000. The Tax Collector is bonded for \$15,000. The remaining employees that have access to funds are bonded under a blanket employee dishonesty bond for \$25,000. Effective with the bond renewal on July 1, 2023, the Town increased the bonding for the Finance Officer to \$1,000,000 in order to comply with S.L. 2022-53, Section 9(a).

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Long-Term Obligations

Leases

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

On July 3, 2019, the Town of Rutherfordton, NC entered into a 24-month lease as Lessee for the use of GoPRO-Body Worn Camera. An initial lease liability was recorded in the amount of \$12,618. As of June 30, 2023, the value of the lease liability is \$0. The Town of Rutherfordton is required to make annual fixed payments of \$0. The lease has an interest rate of 0.5925%. The value of the right-to-use asset as of June 30, 2023, is \$12,618 with accumulated amortization of \$12,583.

On July 6, 2021, the Town of Rutherfordton, NC entered into a 48-month lease as Lessee for the use of Bobcat - Compact Track Loader. An initial lease liability was recorded in the amount of \$49,157. As of June 30, 2023, the value of the lease liability is \$24,811. The Town of Rutherfordton is required to make monthly fixed payments of \$1,044. The lease has an interest rate of 0.9599%. The value of the right to use asset as of June 30, 2023, is \$49,382 with accumulated amortization of \$24,520. The Town of Rutherfordton has the option to purchase the Vehicles for \$28,158.

On December 9, 2021, the Town of Rutherfordton, NC entered into a 60-month lease as Lessee for the use of Bobcat Excavator. An initial lease liability was recorded in the amount of \$69,096. As of June 30, 2023, the value of the lease liability is \$47,684. The Town of Rutherfordton is required to make monthly fixed payments of \$1,190. The lease has an interest rate of 1.2956%. The value of the right to use asset as of June 30, 2023, is \$69,321 with accumulated amortization of \$21,643. The Town of Rutherfordton has the option to purchase the Vehicles for \$34,995.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ending June 30	Business-Type Activities		
	Principal	Interest	Total
2024	\$ 26,084	\$ 721	\$ 26,805
2025	26,383	422	26,805
2026	14,099	176	14,275
2027	5,929	19	5,948
Total	\$ 72,495	\$ 1,338	\$ 73,833

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Installment Purchases

On June 13, 2018, the Town executed a promissory note in the amount of \$1,783,298 with the state of North Carolina for a loan from the North Carolina to finance the construction of a municipal building. This note is split at 44% to the General Fund and 56% to the Sewer Fund and bears interest at 4.48% and calls for semi-annual payments of interest and annual payments of principal in June of each year beginning in June 2019 through June 2038. \$ 588,488

On May 3, 2022, the Town executed an installment purchase agreement for two truck chassis, and installment other Fire equipment. Other equipment includes a mini pumper, a hook lift, and a debris vacuum system. The agreement requires 10 semi-annual principal and interest payments of \$57,836 beginning in September 2023 through March 2028. 545,000

On June 12, 2023, the Town executed an installment purchase agreement for \$400,000 to construct a fire substation. This bears interest at 3.51% and calls for annual principal and interest payments of \$47,984.81 beginning in May 2024 through May 2033. 400,000

On October 8, 2019, the Town entered into an installment purchase agreement for a fire truck. The agreement requires principal and interest 10 semi-annual payments ranging from \$49,012 to \$55,053. 96,513

On February 17, 2022, the Town executed an installment purchase agreement for a refuse truck, police vehicles and equipment. The agreement requires 10 semi-annual principal and interest payments of \$34,369 beginning in October 2022 through October 2026. 233,798
\$ 1,863,799

The Town's outstanding notes from direct placements of \$588,488 is secured with collateral of the municipal building. The note contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

The Town's outstanding note from direct placements of \$545,000, is secured with the collateral of the various equipment purchased. The equipment is pledged as collateral for the debt. In the event of default, the Town must return the equipment and action can be taken to enforce the rights of ownership of the equipment.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Town's outstanding notes from direct placements of \$400,000 is secured with collateral of the fire substation #2. The note contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

The Town's outstanding note from direct placements of \$96,513, is secured with the collateral of the fire truck. The fire truck is pledged as collateral for the debt. In the event of default, the Town must return the equipment and action can be taken to enforce the rights of ownership of the equipment.

The Town's outstanding note from direct placements of \$233,798, is secured with the collateral of the various equipment purchased. The equipment is pledged as collateral for the debt. In the event of default, the Town must return the equipment and action can be taken to enforce the rights of ownership of the equipment.

Annual debt service payments of the direct placement installment purchases as of June 30, 2023, are as follows:

Year Ending		
June 30	Principal	Interest
2024	\$ 340,770	\$ 49,599
2025	247,565	42,672
2026	252,109	36,775
2027	222,393	30,769
2028	192,045	25,395
2029-2033	412,755	75,780
2034-2038	196,162	18,611
Total	<u>\$ 1,863,799</u>	<u>\$ 279,601</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Business-Type Activities

Installment Purchases

On June 12, 2006, the Town executed a promissory note in the amount of \$591,952 with the state of North Carolina for a loan from North Carolina Water Pollution Control Revolving Fund to finance the retrofit of the wastewater treatment plant. This note bears interest at 2.195% and calls for semi-annual payments of interest and annual payments of principal in May of each year beginning in May 2009 through May 2026. \$ 93,468

On June 13, 2018, the Town executed a promissory note in the amount of \$1,783,298 with the state of North Carolina for a loan from the North Carolina to finance the construction of a municipal building. This note is split at 44% to the General Fund and 56% to the Sewer Fund and bears interest at 4.48% and calls for semi-annual payments of interest and annual payments of principal in June of each year beginning in June 2019 through June 2038. 748,986
\$ 842,454

The Town’s outstanding notes from direct borrowings related to business-type activities of \$93,468 contain a provision that in an event of default, may require the unit to prepay the note in full or may result in the state withholding any other monies due to the unit of local government. Notes are secured and payable solely from system revenues or other available funds, and not secured by a pledge of full faith and credit.

The Town’s outstanding notes from direct placements related to business-type activities of \$748,986 is secured with collateral of the municipal building. The note contains a provision that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

Annual debt service payments of the direct placement and the direct borrowing installment purchases as of June 30, 2023, are as follows:

Year Ending June 30	Principal	Interest
2024	\$ 81,088	\$ 27,461
2025	81,088	25,054
2026	81,088	22,648
2027	49,932	20,241
2028	49,932	18,519
2029-2033	249,663	66,753
2034-2038	249,663	23,687
Total	<u>\$ 842,454</u>	<u>\$ 204,363</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

Revolving Loan Payable

On June 28, 2018, the Town entered into a direct borrowing with a maximum loan amount of \$146,807 from the U.S. Department of Environmental Quality for a sanitary sewer project. The loan bears interest at a rate of 0% per annum and calls for annual payments of \$7,340 in May of each year beginning in May 2019 through May 2038. \$ 110,105

On August 7, 2020, the Town entered into a direct borrowing with a maximum loan amount of \$549,550 from the U.S. Department of Environmental Quality for a sanitary sewer project. The loan bears interest at a rate of 0% per annum and calls for annual payments of \$25,000 in May of each year beginning in May 2023 through May 2042. 521,852
\$ 631,957

The Town agrees that any other monies due to the unit of local government from the state may be withheld by the state and applied to the payment of this obligation whenever the unit fails to pay any payment of principal or interest on these notes when due.

Year Ending	Principal	Interest
June 30		
2024	\$ 32,340	\$ -
2025	32,340	-
2026	32,340	-
2027	32,340	-
2028	32,340	-
2029-2033	161,702	-
2034-2038	161,702	-
2039-2042	146,853	-
Total	<u>\$ 631,957</u>	<u>\$ -</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2023, is computed as follows:

	Governmental Activities	Business-Type Activities
Net capital assets	\$ 6,577,156	\$ 8,212,220
Gross debt	1,863,799	1,546,906
Less: unspent debt proceeds	(400,000)	-
Total capital debt	1,463,799	1,546,906
Net investment in capital assets	\$ 5,113,357	\$ 6,665,314

A summary of changes in long-term debt are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct placement installment purchases	\$ 1,130,232	\$ 945,000	\$ (211,433)	\$ 1,863,799	\$ 340,770
Lease liabilities	6,715	-	(6,715)	-	-
Total pension liability - LEOSSA	439,508	-	(105,918)	333,590	-
Net pension liability - LGERS	426,557	1,150,479	-	1,577,036	-
Compensated absences	135,917	105,922	(50,063)	191,776	19,178
Total	\$ 2,138,929	\$ 2,201,401	\$ (374,129)	\$ 3,966,201	\$ 359,948
Business-Type Activities:					
Direct placements and direct borrowings	\$ 923,541	\$ -	\$ (81,087)	\$ 842,454	\$ 81,088
Direct borrowings - Revolving loans	590,746	76,017	(34,806)	631,957	32,340
Lease liabilities	98,285	-	(25,790)	72,495	26,084
Net pension liability - LGERS	8,985	23,479	-	32,464	-
Compensated absences	11,866	4,547	(2,265)	14,148	1,415
Total	\$ 1,633,423	\$ 104,043	\$ (143,948)	\$ 1,593,518	\$ 140,927

Compensated absences generally have been liquidated in the general fund and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

At June 30, 2023, the Town had a legal debt margin of \$30,146,894.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

C. Fund Balance

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

Total fund balance - General Fund	\$	2,608,557
Less:		
Stabilization by state statute		(546,710)
Total available fund balance	\$	<u>2,061,847</u>

D. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2023, consist of the following:

	Transfers		Purpose
	From	To	
General Fund	\$ 472,303	\$ 671,590	For departmental salaries and benefits covered under grant funding
Fire Station #2 Project Fund	-	472,303	For the planning, renovation, and constuction of Fire station #2 covered under grant funding
ARP Fund Special Revenue	<u>671,590</u>	<u>-</u>	For departmental salaries and benefits covered under grant funding
Total	<u>\$ 1,143,893</u>	<u>\$ 1,143,893</u>	

4. Broad River Water Authority

The Broad River Water Authority has been organized pursuant to the provisions of Chapter 162A, Article 1, of the North Carolina Statutes. The Water Authority was organized to purchase and management a water system to provide water services to the citizens of Rutherford County, Town of Rutherfordton, Town of Spindale and Town of Ruth. The political subdivisions of the Authority are Rutherford County, Town of Rutherfordton, Town of Spindale, and Town of Ruth. Each political subdivision shall be allowed to appoint two members of the Authority. The Town, according to 162A-16 is authorized to make contributions or advances to an authority to provide for preliminary expenses of such Authority. The Town of Rutherfordton joined the Broad River Water Authority on August 3, 1999.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

5. Other Matters

Interlocal Agreement with Polk County

On September 8, 2014, the Town entered into an interlocal agreement with Polk County to allow the Town to provide wastewater collection, treatment and transport to an equestrian center being developed in Polk County. The system was completed and placed in service during the fiscal year 2015.

Interlocal Agreement with Thermal Belt Rail Trail

On August 30, 2017, the Town entered into an interlocal agreement with Rutherford Rail Development Corporation (“RRDC”), Rutherford County, the Town of Forest City, the Town of Ruth, and the Town of Spindale. The municipalities and the County have each entered into a separate lease agreement with RRDC for the portion of the Rail Corridor within their respective jurisdictions. The purpose of the lease agreements is to preserve and improve the Rail Corridor for future railroad use, to encourage economic development in Rutherford County.

Related Party Transactions

The Town and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2023:

Town of Rutherfordton ABC Board:

Payments to the Town for profit distributions	\$	42,000
Payments to the Town for law enforcement		19,759
Payments to the Town for education and rehabilitation		<u>8,000</u>
Total	\$	<u><u>69,759</u></u>

6. Summary Disclosure of Significant Contingencies

Federal and State-Assisted Programs

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

Claims, Judgments and Contingent Liabilities

The Town is periodically involved in legal actions and claims arising in the normal course of operations. At June 30, 2023, the Town is not involved in any legal action that would have a material effect upon the financial position of the Town.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

7. Reimbursements for Pandemic-Related Expenditures

In FY 2020/21, the American Rescue Plan Act (ARPA) established the Coronavirus State and Local Fiscal Recovery Funds to support urgent COVID-19 response efforts and replace lost revenue for eligible state, local, territorial, and tribal governments. Town of Rutherfordton was awarded \$1,302,516 in American Rescue Plan Funding.

Town staff and the Board of Commissioners have elected to use \$916,590 of the ARPA funds for premium pay and salary costs. They also elected to use \$4,562 for covid supplies. Over the duration of the grant to date, \$921,152 has been spent. In FY 23, the Town spent \$672,715. The remaining funds will be transferred to the appropriate funds once the intended use of the funds is determined.

8. Subsequent Events

In January 2024, the Town was awarded additional grants under the State Construction and Infrastructure Fund (SCIF) Grant. One grant for \$1,650,000 was received for a fire truck. One grant for \$4,000,000 was received for construction.

Subsequent to year end, the store manager of the Town of Rutherfordton ABC Board, a component unit of the Town, was terminated as result of embezzlement discovered. The investigation is ongoing, and the total amount has not been determined as of the date the financial statements for the Town were issued.

9. Disclaimer of Opinion on the Discretely Presented Component Unit

According to the auditor of the Town of Rutherfordton ABC Board, detailed records and supporting data were not available for the audit. Therefore, the auditor was not able to obtain appropriate audit evidence about the amounts at which cash and inventory are recorded in their statement of net position at June 30, 2023, and the amount of cost of sales recorded in their statement of revenues, expenses, and changes in net position for the year then ended for the Town of Rutherfordton ABC Board. Because of the significance of these matters, as written in the component unit Independent Auditor's Report, the auditor was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the Town of Rutherfordton ABC Board.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST SEVEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 439,508	\$ 384,167	\$ 267,471	\$ 462,590
Service cost	23,127	28,117	18,644	16,998
Interest on the total pension liability	9,650	7,209	8,480	16,838
Differences between expected and actual experience in the measurement of the total pension liability	(39,198)	56,162	(20,391)	(238,843)
Changes of assumptions or other inputs	(78,230)	(14,850)	124,655	9,888
Benefit payments	(21,267)	(21,297)	(14,692)	-
Ending balance of the total pension liability	<u>\$ 333,590</u>	<u>\$ 439,508</u>	<u>\$ 384,167</u>	<u>\$ 267,471</u>

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 321,882	\$ 276,871	\$ 268,039
Service cost	19,972	17,238	17,539
Interest on the total pension liability	10,065	10,475	9,373
Differences between expected and actual experience in the measurement of the total pension liability	133,731	6,341	-
Changes of assumptions or other inputs	(16,300)	21,941	(7,096)
Benefit payments	<u>(6,760)</u>	<u>(10,984)</u>	<u>(10,984)</u>
Ending balance of the total pension liability	<u>\$ 462,590</u>	<u>\$ 321,882</u>	<u>\$ 276,871</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED-EMPLOYEE PAYROLL
LAST SEVEN FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 333,590	\$ 439,508	\$ 384,167	\$ 267,471
Covered-employee payroll	588,253	685,377	659,195	650,345
Total pension liability as a percentage of covered-employee payroll	56.71%	64.13%	58.28%	41.13%

Notes to the Schedules:

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

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED-EMPLOYEE PAYROLL
LAST SEVEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 462,590	\$ 321,882	\$ 276,871
Covered-employee payroll	631,697	621,695	623,041
Total pension liability as a percentage of covered-employee payroll	73.23%	51.77%	44.44%

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**TOWN OF RUTHERFORDTON'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

Local Governmental Employees' Retirement System					
	2023	2022	2021	2020	2019
Town's proportion of the net pension liability (asset) (%)	0.02853%	0.02840%	0.02860%	0.02870%	0.03016%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,609,500	\$ 435,542	\$ 1,022,001	\$ 783,775	\$ 715,498
Town's covered payroll	2,002,741	1,787,662	1,901,689	1,858,690	1,756,855
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	80.36%	24.36%	53.74%	42.17%	40.73%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	90.86%	91.63%

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

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

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**TOWN OF RUTHERFORDTON'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY (ASSET)
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS***

	Local Governmental Employees' Retirement System				
	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03036%	0.02903%	0.03033%	0.02908%	0.03190%
Town's proportion of the net pension liability (asset) (\$)	\$ 463,818	\$ 616,115	\$ 136,120	\$ (171,498)	\$ 384,517
Town's covered payroll	1,792,807	1,666,634	1,606,643	1,505,579	1,605,467
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.87%	36.97%	8.47%	-11.39%	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

TOWN OF RUTHERFORDTON, NORTH CAROLINA

TOWN OF RUTHERFORDTON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 271,715	\$ 233,072	\$ 186,730	\$ 176,075	\$ 150,059
Contributions in relation to the contractually required contribution	<u>271,715</u>	<u>233,072</u>	<u>186,730</u>	<u>176,075</u>	<u>150,059</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,181,491	\$ 2,002,741	\$ 1,787,662	\$ 1,901,689	\$ 1,858,690
Contributions as a percentage of covered payroll	12.46%	11.64%	10.45%	9.26%	8.07%

TOWN OF RUTHERFORDTON, NORTH CAROLINA

TOWN OF RUTHERFORDTON'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
LAST TEN FISCAL YEARS

Local Governmental Employees' Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 137,641	\$ 136,129	\$ 115,344	\$ 115,772	\$ 107,555
Contributions in relation to the contractually required contribution	<u>137,641</u>	<u>136,129</u>	<u>115,344</u>	<u>115,772</u>	<u>107,555</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,756,855	\$ 1,792,807	\$ 1,666,634	\$ 1,606,643	\$ 1,505,579
Contributions as a percentage of covered payroll	7.83%	7.59%	6.92%	7.21%	7.14%

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INDIVIDUAL FUND SCHEDULES

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TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance Over/(Under)
	Budget	Actual	
Revenues:			
Ad Valorem Taxes:			
Taxes - General Fund		\$ 2,440,268	
Penalties, interest, and advertising		11,874	
Total	\$ 2,406,194	2,452,142	\$ 45,948
Unrestricted Intergovernmental Revenues:			
Local option sales tax		1,116,627	
ABC profit distribution		42,000	
Utility sales tax		367,135	
Beer and wine tax		16,380	
Total	1,487,000	1,542,142	55,142
Restricted Intergovernmental Revenues:			
Special assessments - downtown revitalization		11,994	
State grants		232,983	
Powell Bill allocation		130,111	
State distribution for drug enforcement		295	
Solid waste tax disbursement		2,822	
SAFER grant		26,771	
SCIF grants		672,303	
ABC funds for law enforcement		27,759	
Total	2,984,884	1,105,038	(1,879,846)
Sales and Services:			
Fire district revenue		398,309	
Cable TV franchise		14,829	
Solid waste user fee		210,589	
Crestview park rental		1,550	
Clubhouse revenue		24,663	
Federal building lease		17,100	
Police reports		109	
Other fees		63,077	
Total	691,000	730,226	39,226

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance Over/(Under)
	Budget	Actual	
Investment Earnings	3,500	111,875	108,375
Miscellaneous:			
Other		123,653	
Total	194,070	123,653	(70,417)
Total revenues	7,766,648	6,065,076	(1,701,572)
Expenditures:			
General Government:			
Governing Body:			
Salaries and employee benefits		13,218	
Operating expenditures		5,658	
Total	18,320	18,876	(556)
Administration:			
Salaries and employee benefits		312,513	
Operating expenditures		469,931	
Total	784,777	782,444	2,333
Main Street Programs and Zoning:			
Salaries and employee benefits		80,183	
Operating expenditures		273,580	
Capital outlay		251,817	
Total	1,221,024	605,580	615,444
Total general government	2,024,121	1,406,900	617,221
Public Safety:			
Police:			
Salaries and employee benefits		1,137,609	
Operating expenditures		151,150	
Capital outlay		109,244	
Total	1,433,484	1,398,003	35,481

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023

	2023		Variance Over/(Under)
	Budget	Actual	
Fire:			
Salaries and employee benefits		766,049	
Operating expenditures		213,576	
Capital outlay		885,236	
Total	2,646,582	1,864,861	781,721
Total public safety	4,080,066	3,262,864	817,202
Public Works:			
Salaries and employee benefits		593,175	
Operating expenditures		364,196	
Capital outlay		75,435	
Total	1,042,227	1,032,806	9,421
Powell Bill:			
Operating expenditures		85,468	
Total	133,000	85,468	47,532
Total transportation and environmental protection	1,175,227	1,118,274	56,953
Cultural and Recreational:			
Library:			
Salaries and employee benefits		189,572	
Operating expenditures		36,327	
Capital outlay		38,868	
Total	270,768	264,767	6,001
Parks:			
Operating expenditures		172,458	
Capital outlay		165,491	
Total	1,038,363	337,949	700,414
Trails and Greenways:			
Operating expenditures		4,841	
Total	101,500	4,841	96,659

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GENERAL FUND BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	2023		
	Budget	Actual	Variance Over/(Under)
Total cultural and recreational:	<u>1,410,631</u>	<u>607,557</u>	<u>803,074</u>
Debt Service:			
Principal retirement		218,148	
Interest		<u>34,172</u>	
Total debt service	<u>292,568</u>	<u>252,320</u>	<u>40,248</u>
Total expenditures	<u>8,982,613</u>	<u>6,647,915</u>	<u>2,334,698</u>
Revenues over (under) expenditures	<u>(1,215,965)</u>	<u>(582,839)</u>	<u>633,126</u>
Other Financing Sources (Uses):			
Proceeds from debt issuance	248,475	545,000	296,525
Sale of capital assets	51,742	52,978	1,236
Transfers from other funds	853,090	671,590	(181,500)
Transfers to other funds	(472,303)	(472,303)	-
Appropriated fund balance	<u>534,961</u>	<u>-</u>	<u>(534,961)</u>
Total other financing sources (uses)	<u>1,215,965</u>	<u>797,265</u>	<u>(418,700)</u>
Net changes in fund balance	<u>\$ -</u>	<u>214,426</u>	<u>\$ 214,426</u>
Fund Balance:			
Beginning of year - July 1		<u>2,394,131</u>	
End of year - June 30		<u>\$ 2,608,557</u>	

TOWN OF RUTHERFORDTON, NORTH CAROLINA

AMERICAN RECOVERY PLAN FUND - MAJOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Year	Current Year		
Revenues:					
Restricted intergovernmental:					
American Rescue Plan	\$ 1,302,516	\$ 248,437	\$ 672,715	\$ 921,152	\$ (381,364)
Investment earnings	-	1,038	22,403	23,441	23,441
Total revenues	<u>1,302,516</u>	<u>249,475</u>	<u>695,118</u>	<u>944,593</u>	<u>(357,923)</u>
Expenditures:					
COVID supplies	<u>22,516</u>	<u>3,437</u>	<u>1,125</u>	<u>4,562</u>	<u>17,954</u>
Revenues over (under) expenditures	1,280,000	246,038	693,993	940,031	(339,969)
Other Financing Sources (Uses):					
Transfer to other funds	<u>(1,280,000)</u>	<u>(245,000)</u>	<u>(671,590)</u>	<u>(916,590)</u>	<u>363,410</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 1,038</u>	22,403	<u>\$ 23,441</u>	<u>\$ 23,441</u>
Fund Balance:					
Beginning of year - July 1			<u>1,038</u>		
End of year - June 30			<u>\$ 23,441</u>		

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NORRIS RECREATION COMPLEX PROJECT FUND - MAJOR
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
Grant proceeds	\$ 1,100,000	\$ -	\$ -	\$ -	\$ (1,100,000)
Investment earnings	<u>345,975</u>	<u>-</u>	<u>10,495</u>	<u>10,495</u>	<u>(335,480)</u>
Total revenues	<u>1,445,975</u>	<u>-</u>	<u>10,495</u>	<u>10,495</u>	<u>(1,435,480)</u>
Expenditures:					
Professional services	200,000	-	-	-	200,000
Construction	<u>1,245,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,245,975</u>
Total expenditures	<u>1,445,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,445,975</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,495</u>	<u>\$ 10,495</u>	<u>\$ 10,495</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Fire Station #2 Project Fund	Permanent Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 50,123	\$ 351,493	\$ 401,616
Restricted cash and investments	<u>400,000</u>	<u>207,056</u>	<u>607,056</u>
Total assets	<u>\$ 450,123</u>	<u>\$ 558,549</u>	<u>\$ 1,008,672</u>
Fund Balances:			
Non-spendable:			
Perpetual maintenance	\$ -	\$ 552,216	\$ 552,216
Restricted:			
Restricted for recreation endowment	-	6,333	6,333
Restricted, all other	400,000	-	400,000
Committed	<u>50,123</u>	<u>-</u>	<u>50,123</u>
Total fund balances	<u>\$ 450,123</u>	<u>\$ 558,549</u>	<u>\$ 1,008,672</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2023**

	Fire Station #2 Project Fund	Permanent Fund	Total
Revenues:			
Miscellaneous contributions	\$ 50,000	\$ -	\$ 50,000
Investment earnings	<u>123</u>	<u>18,957</u>	<u>19,080</u>
Total revenues	<u>50,123</u>	<u>18,957</u>	<u>69,080</u>
Expenditures:			
Professional services	16,000	-	16,000
Construction	<u>456,303</u>	<u>-</u>	<u>456,303</u>
Total expenditures	<u>472,303</u>	<u>-</u>	<u>472,303</u>
Revenues over (under) expenditures	<u>(422,180)</u>	<u>18,957</u>	<u>(403,223)</u>
Other Financing Sources (Uses):			
Transfer from General Fund	472,303	-	472,303
Unrealized gain (loss) on investment	-	(112,024)	(112,024)
Debt proceeds	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total other financing sources (uses)	<u>872,303</u>	<u>(112,024)</u>	<u>760,279</u>
Net change in fund balances	450,123	(93,067)	357,056
Fund Balances:			
Beginning of year - July 1	<u>-</u>	<u>651,616</u>	<u>651,616</u>
End of year - June 30	<u>\$ 450,123</u>	<u>\$ 558,549</u>	<u>\$ 1,008,672</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

FIRE STATION #2 PROJECT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>		<u>Total to Date</u>	<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>		
Revenues:					
Grant proceeds	\$ 102,697	\$ -	\$ -	\$ -	\$ (102,697)
Miscellaneous contributions	-	-	50,000	50,000	50,000
Investment earnings	-	-	123	123	123
Total revenues	<u>102,697</u>	<u>-</u>	<u>50,123</u>	<u>50,123</u>	<u>(52,574)</u>
Expenditures:					
Professional services	45,000	-	16,000	16,000	29,000
Construction	<u>1,010,000</u>	<u>-</u>	<u>456,303</u>	<u>456,303</u>	<u>553,697</u>
Total expenditures	<u>1,055,000</u>	<u>-</u>	<u>472,303</u>	<u>472,303</u>	<u>582,697</u>
Revenues over (under) expenditures	<u>(952,303)</u>	<u>-</u>	<u>(422,180)</u>	<u>(422,180)</u>	<u>530,123</u>
Other Financing Sources (Uses):					
Transfer from General Fund	552,303	-	472,303	472,303	(80,000)
Debt proceeds	<u>400,000</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
Total other financing sources (uses)	<u>952,303</u>	<u>-</u>	<u>872,303</u>	<u>872,303</u>	<u>(80,000)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,123</u>	<u>\$ 450,123</u>	<u>\$ 450,123</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 SEWER FUND
 FOR THE YEAR ENDED JUNE 30, 2023

	2023			2022
	Budget	Actual	Variance Over/Under	Actual
Revenues:				
Operating revenues:				
Fees for service	\$ 1,198,000	\$ 1,320,130	\$ 122,130	\$ 1,127,528
Non-operating revenues:				
Miscellaneous	44,293	38,988	(5,305)	-
Interest income	2,500	14,846	12,346	363
Total revenues	<u>1,244,793</u>	<u>1,373,964</u>	<u>129,171</u>	<u>1,127,891</u>
Expenditures:				
Operations:				
Salaries and employee benefits	225,225	187,841	37,384	149,081
Other operating expenditures	838,528	759,476	79,052	913,580
Capital outlay	<u>247,289</u>	<u>52,710</u>	<u>194,579</u>	<u>30,994</u>
Total operating expenditures	<u>1,311,042</u>	<u>1,000,027</u>	<u>311,015</u>	<u>1,093,655</u>
Debt Service:				
Principal retirement	141,683	141,683	-	108,395
Interest paid	<u>28,193</u>	<u>37,585</u>	<u>(9,392)</u>	<u>33,201</u>
Total debt service	<u>169,876</u>	<u>179,268</u>	<u>(9,392)</u>	<u>141,596</u>
Total expenditures	<u>1,480,918</u>	<u>1,179,295</u>	<u>301,623</u>	<u>1,235,251</u>
Revenue over (under) expenditures	<u>(236,125)</u>	<u>194,669</u>	<u>430,794</u>	<u>(107,360)</u>
Other Financing Sources (Uses):				
Lease liabilities issued	-	-	-	118,253
Appropriated net position	<u>236,125</u>	<u>-</u>	<u>(236,125)</u>	<u>-</u>
Total other financing sources (uses)	<u>236,125</u>	<u>-</u>	<u>(236,125)</u>	<u>118,253</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>194,669</u>	<u>\$ 194,669</u>	<u>\$ 10,893</u>
Reconciliation of Modified Accrual Basis to Full Accrual Basis:				
Reconciling items:				
Capital outlay, capitalized		52,710		
Principal paid on long-term debt		141,683		
Change in accrued vacation		2,282		
Income from capital projects consolidation		17,544		
Increase in deferred outflows of resources - pensions		7,767		
Decrease in deferred inflows of resources - pensions		12,387		
Increase in net pension liability		(23,479)		
Depreciation and amortization		<u>(374,118)</u>		
Total reconciling items		<u>(163,224)</u>		
Change in net position		<u>\$ 31,445</u>		

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SEWER IMPROVEMENTS PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Tryon Equestrian Salamander					
Hotel Sewer Project:					
TIEC Contribution	\$ 268,097	\$ 268,097	\$ -	\$ 268,097	\$ -
North Carolina Commerce Rural Economic Development	360,000	360,000	-	360,000	-
Investment earnings	-	5,829	2,897	8,726	8,726
Total revenues	<u>628,097</u>	<u>633,926</u>	<u>2,897</u>	<u>636,823</u>	<u>8,726</u>
Expenditures:					
Charlotte Road Sewer Projects:					
Professional services	24,000	5,300	-	5,300	18,700
Construction	<u>164,000</u>	<u>147,998</u>	-	<u>147,998</u>	<u>16,002</u>
Total	<u>188,000</u>	<u>153,298</u>	-	<u>153,298</u>	<u>34,702</u>
Tryon Equestrian Salamander					
Hotel Sewer Project:					
Professional services	68,570	24,010	-	24,010	44,560
Construction	<u>559,527</u>	<u>570,588</u>	-	<u>570,588</u>	<u>(11,061)</u>
Total	<u>628,097</u>	<u>594,598</u>	-	<u>594,598</u>	<u>33,499</u>
Total expenditures	<u>816,097</u>	<u>747,896</u>	-	<u>747,896</u>	<u>68,201</u>
Revenues over (under) expenditures	<u>(188,000)</u>	<u>(113,970)</u>	<u>2,897</u>	<u>(111,073)</u>	<u>76,927</u>
Other Financing Sources (Uses):					
Transfer from Sewer Fund	21,115	-	-	-	(21,115)
Proceeds from debt issuance	<u>166,885</u>	<u>146,807</u>	-	<u>146,807</u>	<u>(20,078)</u>
Total other financing sources (uses)	<u>188,000</u>	<u>146,807</u>	-	<u>146,807</u>	<u>(41,193)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 32,837</u>	<u>\$ 2,897</u>	<u>\$ 35,734</u>	<u>\$ 35,734</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

PUBLIC WORKS BUILDING PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	Project Authorization	Actual		Total to Date	Variance Over/Under
		Prior Years	Current Year		
Revenues:					
Investment earnings	\$ -	\$ 111	\$ -	\$ 111	\$ 111
Expenditures:					
Professional services	122,500	102,616	-	102,616	19,884
Construction	1,777,465	1,754,262	-	1,754,262	23,203
Total expenditures	1,899,965	1,856,878	-	1,856,878	43,087
Revenues over (under) expenditures	(1,899,965)	(1,856,767)	-	(1,856,767)	43,198
Other Financing Sources (Uses):					
Transfer from Sewer Fund	50,000	-	-	-	(50,000)
Transfer from General Fund	50,000	-	-	-	(50,000)
Debt proceeds	1,799,965	1,783,298	-	1,783,298	(16,667)
Total other financing sources (uses)	1,899,965	1,783,298	-	1,783,298	(116,667)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (73,469)	\$ -	\$ (73,469)	\$ (73,469)

TOWN OF RUTHERFORDTON, NORTH CAROLINA

RS MIDDLE SCHOOL PROJECT FUND
 SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGET AND ACTUAL (NON-GAAP)
 FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Project Authorization</u>	<u>Actual</u>			<u>Variance Over/Under</u>
		<u>Prior Years</u>	<u>Current Year</u>	<u>Total to Date</u>	
Revenues:					
RS Middle School Project:					
RCS contribution	\$ 333,103	\$ 333,103	\$ -	\$ 333,103	\$ -
Federal and state grants	500,000	500,000	-	500,000	-
Investment earnings	-	1,376	14,647	16,023	16,023
Total revenues	<u>833,103</u>	<u>834,479</u>	<u>14,647</u>	<u>849,126</u>	<u>16,023</u>
Expenditures:					
RS Middle School Project:					
Professional services	53,094	51,867	-	51,867	1,227
Construction	<u>1,139,395</u>	<u>1,020,159</u>	<u>101,444</u>	<u>1,121,603</u>	<u>17,792</u>
Total	<u>1,192,489</u>	<u>1,072,026</u>	<u>101,444</u>	<u>1,173,470</u>	<u>19,019</u>
Revenues over (under) expenditures	(359,386)	(237,547)	(86,797)	(324,344)	35,042
Other Financing Sources (Uses):					
Proceeds from debt issuance	<u>359,386</u>	<u>473,299</u>	<u>76,017</u>	<u>549,316</u>	<u>189,930</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 235,752</u>	<u>\$ (10,780)</u>	<u>\$ 224,972</u>	<u>\$ 224,972</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND
JUNE 30, 2023

Fiscal Year	Uncollected Balance July 1, 2022	Additions	Collections and Credits	Uncollected Balance June 30, 2023
2022-2023	\$ -	\$ 2,469,527	\$ 2,452,024	\$ 17,503
2021-2022	21,120	-	15,729	5,391
2020-2021	9,909	-	3,376	6,533
2019-2020	9,320	-	3,965	5,355
2018-2019	3,938	-	1,210	2,728
2017-2018	3,915	-	1,069	2,846
2016-2017	4,645	-	1,611	3,034
2015-2016	2,845	-	246	2,599
2014-2015	1,270	-	76	1,194
2013-2014	2,396	-	424	1,972
2012-2013	76	-	76	-
Total	<u>\$ 59,434</u>	<u>\$ 2,469,527</u>	<u>\$ 2,479,806</u>	<u>49,155</u>
Less: allowance for uncollectible accounts: General Fund				<u>(15,728)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 33,427</u>
Reconciliation with Revenues:				
Ad valorem taxes - General Fund				\$ 2,440,268
Reconciling items:				
Municipal Tax District				11,994
Other miscellaneous adjustments				27,468
Amounts written off per statute of limitations				<u>76</u>
Total collections and credits				<u>\$ 2,479,806</u>

TOWN OF RUTHERFORDTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY
FOR THE YEAR ENDED JUNE 30, 2023

	Town-Wide		Total Levy		
	Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current year's rate	\$ 417,642,783	\$ 0.590	\$ 2,464,093	\$ 2,242,847	\$ 221,246
Discoveries:					
Current year taxes	<u>921,017</u>	0.590	<u>5,434</u>	<u>5,434</u>	<u>-</u>
Total property valuation	<u>\$ 418,563,800</u>				
Net Levy			2,469,527	2,248,281	221,246
Uncollected taxes at June 30, 2023			<u>(17,503)</u>	<u>(17,503)</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 2,452,024</u>	<u>\$ 2,230,778</u>	<u>\$ 221,246</u>
Current Levy Collection Percentage			<u>99.29%</u>	<u>99.22%</u>	<u>100.00%</u>

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COMPLIANCE

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MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information; and were not engaged to audit the discretely presented component unit, of the Town of Rutherfordton, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 22, 2024.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, Responses, and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-002 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rutherfordton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 an instance of non-compliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings, Responses, and Questioned Costs as item 2023-002.

Town of Rutherfordton's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Rutherfordton's responses to the findings identified in our audit and described in the accompanying Schedule of Findings, Responses, and Questioned Costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 22, 2024

MARTIN STARNES

& ASSOCIATES, CPAs, P.A.

"A Professional Association of Certified Public Accountants and Management Consultants"

Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program

We have audited the Town of Rutherfordton, North Carolina's, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of the Town of Rutherfordton's major state programs for the year ended June 30, 2023. The Town of Rutherfordton's major state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses, and Questioned Costs.

In our opinion, the Town of Rutherfordton complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Rutherfordton and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state program. Our audit does not provide a legal determination of the Town of Rutherfordton's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Rutherfordton's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material non-compliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Rutherfordton's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material non-compliance when it exists. The risk of not detecting material non-compliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Rutherfordton's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material non-compliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town of Rutherfordton's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Town of Rutherfordton's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town of Rutherfordton's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Martin Starnes & Associates, CPAs, P.A.

Martin Starnes & Associates, CPAs, P.A.
Hickory, North Carolina
January 22, 2024

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TOWN OF RUTHERFORDTON, NORTH CAROLINA

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

1. Summary of Auditor's Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

• Material weaknesses identified? X Yes No

• Significant deficiencies identified? X Yes No

Non-compliance material to financial statements noted?

 X Yes No

State Awards

Internal control over major state programs:

• Material weakness(es) identified? No

• Significant deficiency(s) identified? None reported

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

Unmodified

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

No

Identification of major state programs:

Program Name

State Construction and Infrastructure Fund (SCIF) Grant

Auditee qualified as state low-risk auditee?

No

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Findings Related to the Audit of the Basic Financial Statements

Significant Deficiency

Finding 2023-001

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting.

Condition: There are inherent limitations to the segregation of duties among Town personnel relating to cash receipts and access to the general ledger. The same employee that collects cash also performs the duties of posting and reconciling the receipts and preparing the receipts for deposit. Furthermore, the employee that performs the bank statement reconciliation occasionally performs the cash collection and deposit preparation duties. Due to this limitation, access to the general ledger is not ideally restricted. The Town has implemented some mitigating controls, by use of the Town Manager reviewing certain journal entries. The same employee that prepares payroll also has access to personnel files and makes payrate changes. Due to this limitation, separation of payroll and personnel matters is not ideally restricted.

Effect: Errors in financial reporting could occur and not be detected.

Cause: There are a limited number of personnel for certain functions.

Identification of Repeat Finding: This is a repeat finding that has been modified from the immediate previous audit, 2022-001.

Recommendation: Access to the books and records of the Town should be separated from access to the assets of the Town as much as possible. Access to the personnel files should be separated from access to payroll processing as much as possible. Alternative controls should be used to compensate for any lack of segregation of duties. The Town Manager should continue to review adjusting entries as a mitigating control.

Views of Responsible Officials and Planned Corrective Action: Management is aware of the weakness but, due to the cost benefit analysis, hiring additional personnel does not appear feasible.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2023

2. Findings Related to the Audit of the Basic Financial Statements (continued)

Material Weakness/Non-Compliance

Finding 2023-002

Criteria: Management should have a system in place to reduce the likelihood of non-compliance with all applicable laws, rules and regulations.

Condition: Local governments in North Carolina are prohibited from holding certain types of securities.

Effect: The Town is in violation of G.S. 159-30.

Cause: Securities were donated to the Town with specified terms that the investment not be sold. The terms did not comply with state statutes.

Identification of a Repeat Finding: This is a repeat finding from the immediate previous audit, 2022-002.

Recommendation: The Town should make an effort to contact the contributors of the securities and have the terms changed to comply with G.S. 159-30.

Views of Responsible Officials and Planned Corrective Action: The Town agrees with this finding but will abide by the terms of the agreement if the contributors cannot be contacted.

3. State Award Findings, Responses and Questioned Costs

None

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Rutherfordton

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TOWN OF RUTHERFORDTON, NORTH CAROLINA

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2023

Significant Deficiency

Finding 2023-001

Name of Contact Person: Doug Barrick

Corrective Action: Management is aware of the weakness but, due to the cost benefit analysis, hiring additional personnel does not appear feasible. Management does its best with segregation of duties with the small staff on hand. The Town Manager is also reviewing certain journal entries to provide some mitigating controls.

Proposed Completion Date: Immediately.

Material Weakness/Non-Compliance

Finding 2023-002

Name of Contact Person: Doug Barrick

Corrective Action: Since the adoption of the FY24 Budget, the Town Council has authorized the Town Staff to sell the Dominion Stock owned by the Town during the budget period. The sale of this stock will close this long-standing audit finding and return the stock proceeds to the Rutherfordton Recreational Trust Fund for use by the fund for ongoing recreational needs of the community.

Proposed Completion Date: Immediately.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

Significant Deficiency

Finding 2022-001

Status: Repeated in the current year as Finding 2023-001.

Material Weakness / Non-Compliance

Finding 2022-002

Status: Repeated in the current year as Finding 2023-002.

TOWN OF RUTHERFORDTON, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal/State Program Program Title</u>	<u>Assistance Listing Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Fed. (Direct & Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<u>Federal Assistance</u>					
<u>Environmental Protection Agency</u>					
Passed through NC Dept of Environmental Quality Division of Water Resources Clean Water State Revolving Fund (CWSRF) Cluster:					
Capitalization Grants for Clean Water State Revolving funds	66.458	CS370463-05	\$ 44,537	\$ -	\$ -
Total Clean Water State Revolving Fund (CWSRF) Cluster			<u>44,537</u>	<u>-</u>	<u>-</u>
<u>U.S. Department of Treasury</u>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		<u>672,715</u>	<u>-</u>	<u>-</u>
Total federal assistance			<u>\$ 717,252</u>	<u>\$ -</u>	<u>\$ -</u>
<u>State Assistance</u>					
<u>N.C. Department of Transportation</u>					
Powell Bill	N/A	DOT-4		<u>\$ 85,468</u>	<u>\$ -</u>
<u>N.C. Office of State Budget and Management</u>					
State Construction and Infrastructure Fund (SCIF) Grant	N/A	11452		<u>200,000</u>	<u>-</u>
State Construction and Infrastructure Fund (SCIF) Grant	N/A	11451		<u>472,303</u>	<u>-</u>
Total State Construction and Infrastructure Fund (SCIF) Grant				<u>672,303</u>	<u>-</u>
Total state assistance				<u>\$ 757,771</u>	<u>\$ -</u>

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Rutherfordton under the programs of the federal government and the state of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the schedule presents only a selected portion of the operations of the Town of Rutherfordton, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Rutherfordton.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Loans Outstanding

The Town of Rutherfordton had the following loan balances outstanding at June 30, 2023 for loans that the grantor/pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2023 consist of:

<u>Program Title</u>	<u>AL#</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water State Revolving funds	66.458	CS370463-05	<u>\$ 521,852</u>

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