

**TOWN OF RUTHERFORDTON  
NORTH CAROLINA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**



# TOWN OF RUTHERFORDTON, NORTH CAROLINA

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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  
Rutherfordton, North Carolina

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rutherfordton, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rutherfordton, North Carolina, as of June 30, 2022 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.

We did not audit the financial statements of the Town of Rutherfordton ABC Board. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Town of Rutherfordton ABC Board, is based solely on the report of the other auditors.

#### ***Basis for Opinions***

We conducted our audit in accordance with the 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, 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 audit opinions. The financial statements of the Town of Rutherfordton ABC Board were not audited in accordance with *Government Auditing Standards*.

### ***Change in Accounting Principle***

As discussed in Note 8 to the financial statements, in 2022, the Town adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***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***

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 and the other auditors 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 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 by us and the other auditors. In our opinion, based on our audit and the report of the other auditors, 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 October 28, 2022 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  
October 28, 2022

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## 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, 2022. 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

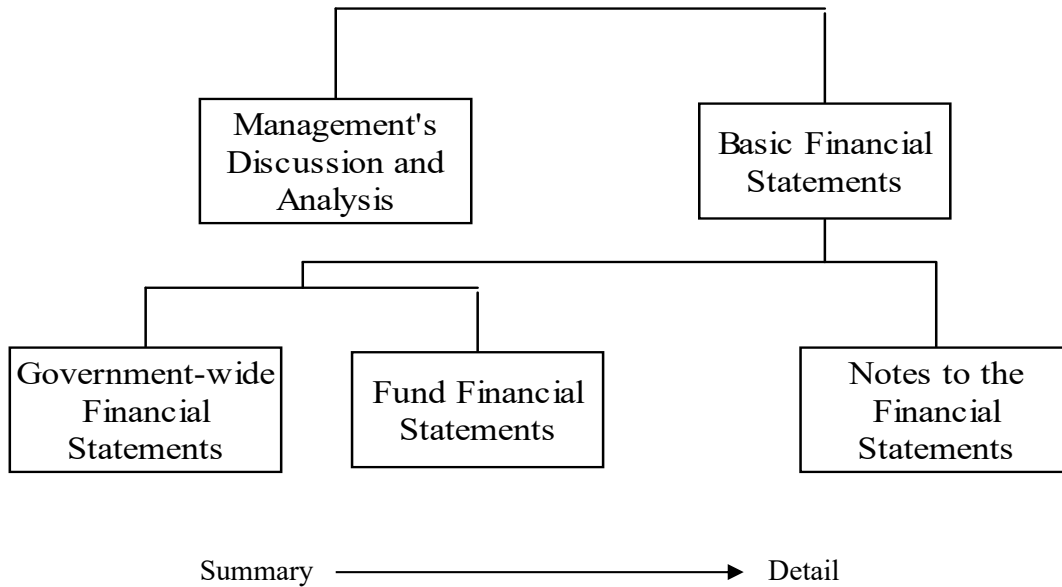
- The assets and deferred outflows of resources of the Town of Rutherfordton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,431,915 (*net position*).
- The Town's total net position increased by \$665,669 primarily due to an increase in capital assets and the completion of projects that are now realized assets along with grant funding, including ARP funds.
- As of the close of the current fiscal year, the Town of Rutherfordton's governmental funds reported combined ending fund balances of \$3,046,785. That amount is a decrease of \$31,154, in comparison with the prior year. Approximately 43.97 percent of this total amount, or \$1,339,655, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,201,492, or 21.31 percent, of total General Fund expenditures.
- The outstanding debt for the Town is \$2,749,519 at June 30, 2022. The Town paid debt service in the amount of \$341,594.

### 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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Assets:</b>						
Current and other assets	\$ 4,001,338	\$ 3,124,226	\$ 1,128,139	\$ 1,040,309	\$ 5,129,477	\$ 4,164,535
Restricted assets	319,080	294,133	-	-	319,080	294,133
Right to use assets	13,069	-	98,750	-	111,819	-
Capital assets	<u>5,538,610</u>	<u>4,378,226</u>	<u>8,333,434</u>	<u>8,470,320</u>	<u>13,872,044</u>	<u>12,848,546</u>
Total assets	<u>9,872,097</u>	<u>7,796,585</u>	<u>9,560,323</u>	<u>9,510,629</u>	<u>19,432,420</u>	<u>17,307,214</u>
<b>Deferred Outflows</b>						
<b>of Resources</b>	<u>837,750</u>	<u>728,002</u>	<u>13,143</u>	<u>10,972</u>	<u>850,893</u>	<u>738,974</u>
<b>Liabilities:</b>						
Current liabilities	1,462,018	520,485	166,215	186,801	1,628,233	707,286
Long-term liabilities	<u>1,907,189</u>	<u>1,658,606</u>	<u>1,493,018</u>	<u>1,698,045</u>	<u>3,400,207</u>	<u>3,356,651</u>
Total liabilities	<u>3,369,207</u>	<u>2,179,091</u>	<u>1,659,233</u>	<u>1,884,846</u>	<u>5,028,440</u>	<u>4,063,937</u>
<b>Deferred Outflows</b>						
<b>of Resources</b>	<u>809,587</u>	<u>215,375</u>	<u>13,371</u>	<u>630</u>	<u>822,958</u>	<u>216,005</u>
<b>Net Position:</b>						
Net investment in						
capital assets	4,414,732	4,020,070	6,819,612	6,673,952	11,234,344	10,694,022
Restricted	1,339,655	1,420,039	-	-	1,339,655	1,420,039
Unrestricted	<u>776,666</u>	<u>690,012</u>	<u>1,081,250</u>	<u>962,173</u>	<u>1,857,916</u>	<u>1,652,185</u>
Total net position	<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>

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 \$14,431,915 as of June 30, 2022. The Town's net position increased by \$665,669 for the fiscal year ended June 30, 2022. Net position of the Town is reported in three categories: net investment in capital assets of \$11,234,344; restricted net position of \$1,339,655; and unrestricted net position of \$1,857,916.

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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 244,766	\$ 216,923	\$ 1,127,528	\$ 924,089	\$ 1,372,294	\$ 1,141,012
Operating grants and contributions	880,025	804,132	500,000	-	1,380,025	804,132
General revenues:						
Property taxes	2,158,240	2,118,291	-	-	2,158,240	2,118,291
Other taxes	1,837,249	1,777,179	-	-	1,837,249	1,777,179
Other	130,740	123,311	1,981	7,316	132,721	130,627
Total revenues	<u>5,251,020</u>	<u>5,039,836</u>	<u>1,629,509</u>	<u>931,405</u>	<u>6,880,529</u>	<u>5,971,241</u>
<b>Expenses:</b>						
General government	361,149	854,246	-	-	361,149	854,246
Public safety	2,241,330	2,177,953	-	-	2,241,330	2,177,953
Transportation and environmental protection	1,675,252	1,146,603	-	-	1,675,252	1,146,603
Cultural and recreational	531,027	402,482	-	-	531,027	402,482
Interest on long-term debt	41,330	84,046	-	-	41,330	84,046
Sewer	-	-	1,364,772	1,162,465	1,364,772	1,162,465
Total expenses	<u>4,850,088</u>	<u>4,665,330</u>	<u>1,364,772</u>	<u>1,162,465</u>	<u>6,214,860</u>	<u>5,827,795</u>
Change in net position	400,932	374,506	264,737	(231,060)	665,669	143,446
<b>Net Position:</b>						
Beginning of year - July 1	<u>6,130,121</u>	<u>5,755,615</u>	<u>7,636,125</u>	<u>7,867,185</u>	<u>13,766,246</u>	<u>13,622,800</u>
End of year - June 30	<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>



**Governmental Activities.** Governmental activities increased the Town's net position by \$400,932. Key elements of this increase are as follows:

- Increased Federal & State Grants as well as ARPA Funding.
- Strong oversight of budgeted funds throughout the fiscal year
- Board oversight of financial position during the year.

**Business-Type Activities.** Business-type activities increased the Town's net position by \$264,737. Key elements of this decrease are as follows:

- The Town has taken a strong position on ensuring rates fit expenditures and long term capital needs including depreciation.
- Capitalization of large projects

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 \$1,869,191, while total fund balance was \$2,394,131. 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 33.15 percent of total General Fund expenditures, while total fund balance represents 42.46 percent of that same amount.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$3,046,785, a \$31,154 decrease from last year. The decrease was much less than anticipated by the Town, as proactive management to lessen the anticipated budgeted use of fund balance to increase staffing through grants as well as ensuring staffing levels remained as close to full staff as possible throughout the year. Some revenues did fall short of anticipated targets and staff will adjust those in the coming budget cycle as outlined below.

**General Fund Budgetary Highlights.** The Town's financial position decreased during FY 2022 due to use of fund balances that had been saved in prior years for capital projects and for the maintenance of streets. The decrease was mitigated due to the Town departments' diligence in monitoring their operational budgets resulted in total expenditures being under budget at fiscal year-end. On the revenue side, the largest negative budget variances were ad valorem property tax category. The Town also made operational and staffing changes to account for the economic impact of Covid-19 which helped to lessen the burden on the impact.

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 \$1,827,144 or 43.0 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 \$7,900,862. During the fiscal year 2022, proprietary fund net position increased \$264,737. This increase is realized in the depreciation of the assets, as seen below in the FY 22 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, 2022 totals \$13,872,044 (net of accumulated depreciation). 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 445,528	\$ 427,081	\$ 1,090,776	\$ 2,675,300	\$ 1,536,304	\$ 3,102,381
Construction in progress	-	1,586,451	-	-	-	1,586,451
Buildings and improvements	6,495,331	6,495,331	-	-	6,495,331	6,495,331
Equipment	6,862,606	4,377,885	683,645	652,651	7,546,251	5,030,536
Pump stations and sewer collection systems	-	-	7,328,061	5,540,313	7,328,061	5,540,313
Wastewater treatment plant	-	-	5,205,826	5,205,826	5,205,826	5,205,826
Streets	-	-	42,284	42,284	42,284	42,284
Accumulated depreciation	<u>(8,264,855)</u>	<u>(7,691,496)</u>	<u>(6,017,158)</u>	<u>(5,646,054)</u>	<u>(14,282,013)</u>	<u>(13,337,550)</u>
Total	<u>\$ 5,538,610</u>	<u>\$ 5,195,252</u>	<u>\$ 8,333,434</u>	<u>\$ 8,470,320</u>	<u>\$ 13,872,044</u>	<u>\$ 13,665,572</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, 2022, the Town of Rutherfordton had total direct placement, direct borrowing, and lease liabilities debt outstanding of \$2,749,519. 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Direct placements and direct borrowings	\$ 1,130,232	\$ 1,025,109	\$ 1,514,287	\$ 1,129,415	\$ 2,644,519	\$ 2,154,524
Lease liabilities	<u>6,715</u>	<u>-</u>	<u>98,285</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Total	<u>\$ 1,136,947</u>	<u>\$ 1,025,109</u>	<u>\$ 1,612,572</u>	<u>\$ 1,129,415</u>	<u>\$ 2,749,519</u>	<u>\$ 2,154,524</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 \$29,680,967.

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, 2023**

The Town's operating budget represents more than the allocation of funds to the Town's operations, it sets the tone for the goals, visions, and priorities of our community. This budget outlines the proactive ways the Town Council is working to improve our community by aligning the priorities of the 2021 Action Plan to the funding resources of the annual budgeting process. Further, this budget represents our community's commitment to creating & maintain partnerships, hiring and retaining the best team, investing in capital, improving operational efficiencies, and setting clear community-based goals. The past year has brought forth new and complex issues for the Town to deal with including record-setting inflation, high consumer price indexes, and an ever-changing labor market. The prior budget included projects like Ruffton Roots, the Urban Redevelopment Commission, seeking funding for Fire Station #2, and commitment to Long-range utility operations that have begun to set a framework for a more robust Rutherfordton. As we embark on a new budget, we are continually seeking new ways for the Town to serve, grow, and establish long-term viability as the gold standard in local government for our region. This 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 represents a major step to ensuring 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 proposed budget has been prepared under the North Carolina General Statutes, and as such is balanced. This budget follows the Town Council's directives to provide excellent and cost-effective services while providing long-term financial stability. The Manager's Recommended General Fund Budget totals \$4,727,767 which represents an effective increase of 11.34% from the prior unamended budget. This change represents an increase in operations of near 7% commensurate with inflation and 13% 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, however, an adjustment to the tax rate in line with inflation of \$.05 will be required to maintain Town operations. We are also proposing to increase the curbside collection fee from its current monthly rate of \$7.80 to \$10.80 as part of a 5-year plan to seek full cost recovery in this operation. This proposal increases the tax rate from \$.54 to \$.59 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 2021 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 2023 Manager’s Recommended Budget while controlling costs include:

- ✓ Completing a Housing Study and Redevelopment Plan
- ✓ Supporting the growth of the Community Garden
- ✓ Beginning the construction of Fire Station #2
- ✓ Improve citizen outreach and communication
- ✓ Phase 1 of the Norris Recreation Complex
- ✓ Increasing library programming
- ✓ Increasing community outreach with the R.I.D.E.S. program
- ✓ Implementing a comprehensive preventative maintenance program for the Sewer Utility Fund
- ✓ Investing in Town Buildings including the Fire Station & Town Hall to look at space needs and renovations to these buildings



The FY 2023 Manager’s Recommended Budget proposes a tax rate at \$0.59 per \$100 of assessed valuation. Ad valorem taxes remain the Towns largest revenue source, providing more than 60% of the Town’s annual operating budget. This large percentage has provided the needed stability to ensure essential core services of the Town remain strong, as service is the core mission of our public safety and public services. As the COVID-19 crisis has caused major disruptions in all aspects of the world economy, it has also had large ripple effects on our local government operations. As we now tackle the impacts of a shrinking labor market and high month after month inflation.

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 11.9% year over year for the third quarter of 2021, outpacing national growth of 9.4%. The growth of real personal income in NC for this quarter is noted at 2.9%, outpacing a national average of 0.9%. However, this is compounded by inflation which has greatly affected consumers across the country in recent months. The February 2022 Consumer Price Index Summary indicated an increase of 7.9% over the previous year. Each of these factors plays into Town operations and plays a part in the need for this recommendation to increase the tax rate to help cover rising costs.

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.

To deliver services to the Community, the Town relies solely on the shoulders of the Town Staff. These employees have a strong commitment to customer service and professionalism while truly embodying our mission “Service Forged at the Highest Standard”. This budget recommends a cost of living increase of a minimum of 7% for all full-time staff, updating part-time salaries, and updating the salary grades. This budget also continues to equalize the benefits for employees by setting 401K contributions at 5% for all employees to match the 5% for law enforcement personnel. We will add 0.5% of the contribution to employees' 401k contributions, bringing the rate for general employees to 5%. The Town is also focused on increasing professional development through new managerial and teamwork training incorporating all staff. The chart below shows the breakdown of expenditures by the department for the coming year.

As we move into Fiscal Year 2023, we will begin to see new projects come to life like Fire Station #2, Norris Recreation Complex Phase 1, 2<sup>nd</sup> Street Park, and updates to Town Facilities like the Clubhouse and Library. We will also begin to see plans develop around the urban redevelopment area. Moreover, staff has been very aggressive in the current environment to secure outside grant funding for projects. Current funding applications for grants total an additional \$3,150,000 that are still in consideration this spring. This does not include the Town's most recent application to the US Department of Transportation for a RAISE grant for \$20,400,000. In partnership with NCDOT and the Town of Spindale, this grant would allow us to holistically transform the Charlotte Road and East Main Street corridor connecting our two communities. Other pending grant applications would include funding for the Norris Recreation Complex Phase One, sewer infrastructure projects at the wastewater treatment plant, electric vehicle charging stations, support for the Ruffton Roots expansion, improvements at 2nd Street and Main Street for the first phase of streetscape enhancements, and equipment upgrades for Rutherfordton Fire and Rescue department.

The Town has managed debt carefully and will look to use some small debt packages to take advantage of the low cost of lending to achieve the purchase of some much-needed rolling stock in the Fire & Public Works departments. Beyond these debt packages, our capital will be pay-as-you-go and limiting debt to short terms. This practice will allow the Town to invest in capital projects from the Capital Improvement Plan. This plan takes a holistic approach to evaluating the future needs of the Town and allows us to budget costs over a five-year plan, rather than on a year-to-year basis. As we move forward this plan will help drive the growth of our community and to provide the much-needed planning for larger projects.

This budget also continues the effort to create a more viable resource to cover the costs of curbside collection services like trash, recycling, and yard waste. Currently, the Town charges \$7.80 a month per residence for the use of these services. This is the second year of a five-year plan to incrementally increase the curbside collection rate to gain cost recovery for this service. This year's increase raises the rate to \$10.80 and will continue the incremental growth in this rate over the next three years. In doing so, these services will become user funded and free up much-needed capital for long-term investment into the remaining Town needs.

Overall, the past year has allowed the Town to think creatively and to look for more efficiencies, and ensure we are providing excellent core services and quality of life. We are committed to working with the Town Council and citizens to ensure that our community is providing the gold standard in service. This budget is a direct reflection of these commitments and specifically those team members that serve this community. For the past 7 years, we have strived to create a unique local government that embraces teamwork through the motto of "1 Town 1 Team". A reflection of each member and department working together to improve our community. As we find ourselves in a position to keep and retain team members this year's compensation adjustment allows Rutherfordton to stay highly competitive and to both attract and retain staff.

**Business-Type Activities.** 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. Over the past few years, we have been able to keep rates stable based on large customer usage and operational cost savings. This year 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. The Town has worked hard on cost recovery but will need to adjust rates with the budget and future budgets to adequately fund the depreciation of our system. This year’s rate increase begins a phased-in approach over the next 5 years to more adequately fund depreciation and investments into the system. The Town will also be implementing a more comprehensive approach to capital planning for this fund in the coming year as we deploy a systemwide asset management plan. This plan, coupled with a commitment to begin replacing aging collection lines and the pending upgrades at our waste treatment plant, will set the Town up for long-term viability. The proposed new rate for a customer using 5,000 gallons of wastewater moves from the current rate of \$43.28 to \$51.31 an increase of \$8.03 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 aligns with the 2021 Action Plan goal of ensuring that town assets are proactively maintained. Moreover, it is a commitment to invest in our aging system and secure long-term financial viability for this utility.

These new rates achieve a path for funding depreciation, adding much-needed staffing to manage and replace infrastructure and address ongoing capital needs. The Town looks to ensure all aspects of the system are proactively managed and funded by user fees these rates. This is coupled with a commitment to actively replace and maintain the collections system with in-house forces and equipment. Over the past budgets, new equipment and staffing have allowed for the team to continually replace the aging infrastructure and these new rates enhance that commitment.

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 \$1.2 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 2023 include the completion of the RS Central Sewer Line Project, replacement of various pumps, vehicles, equipment, and wet well coatings for 2 pump stations. The next large project will be the replacement of the John Smith Road Pump Station a project perfectly slated for the next round of Federal and State infrastructure dollars this fall. This budget funds the needed engineering to make this a shovel-ready project for funding. 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 2023 is a pivotal year for our 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 this budget will secure viability to be removed from the States Viable Utility Reserve watch list.

### **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

Exhibit A

STATEMENT OF NET POSITION  
JUNE 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Town of Rutherfordton ABC Board
<b>Assets:</b>				
Current assets:				
Cash and investments	\$ 2,168,369	\$ 880,868	\$ 3,049,237	\$ 73,954
Taxes receivable, net	43,179	-	43,179	-
Receivables, net	524,940	247,271	772,211	-
Inventory	-	-	-	297,948
Prepaid items	-	-	-	21,644
Restricted cash	1,264,850	-	1,264,850	-
Total current assets	4,001,338	1,128,139	5,129,477	393,546
Non-current assets:				
Right to use asset, net of amortization	13,069	98,750	111,819	-
Capital assets:				
Land and other non-depreciable assets	445,528	1,090,776	1,536,304	5,098
Other capital assets, net of depreciation	5,093,082	7,242,658	12,335,740	28,055
Total capital assets	5,538,610	8,333,434	13,872,044	33,153
Restricted assets:				
Endowment Fund	319,080	-	319,080	-
Total non-current assets	5,870,759	8,432,184	14,302,943	33,153
Total assets	9,872,097	9,560,323	19,432,420	426,699
<b>Deferred Outflows of Resources:</b>				
Pension deferrals	837,750	13,143	850,893	48,373
Total deferred outflows of resources	837,750	13,143	850,893	48,373
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	79,251	23,930	103,181	111,145
Accrued payroll and other liabilities	48,206	1,880	50,086	7,673
Advance from grantor	1,102,821	-	1,102,821	-
Due within one year	231,740	140,405	372,145	-
Total current liabilities	1,462,018	166,215	1,628,233	118,818
Long-term liabilities:				
Due in more than one year	1,041,124	1,484,033	2,525,157	-
Net pension liability - LGERS	426,557	8,985	435,542	17,330
Total pension liability - LEOSSA	439,508	-	439,508	-
Total long-term liabilities	1,907,189	1,493,018	3,400,207	17,330
Total liabilities	3,369,207	1,659,233	5,028,440	136,148
<b>Deferred Inflows of Resources:</b>				
Prepaid taxes	176	-	176	-
Pension deferrals	809,411	13,371	822,782	24,759
Total deferred inflows of resources	809,587	13,371	822,958	24,759
<b>Net Position:</b>				
Net investment in capital assets	4,414,732	6,819,612	11,234,344	33,153
Restricted for:				
Stabilization by state statute	524,940	-	524,940	-
General government	1,070	-	1,070	-
Public safety	5,972	-	5,972	-
Powell Bill - Streets	147,270	-	147,270	-
Cultural and recreation	8,787	-	8,787	-
Recreation endowment	99,400	-	99,400	-
Perpetual maintenance	552,216	-	552,216	-
Working capital	-	-	-	61,295
Unrestricted	776,666	1,081,250	1,857,916	219,717
Total net position	\$ 6,531,053	\$ 7,900,862	\$ 14,431,915	\$ 314,165

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, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 361,149	\$ 179,156	\$ 445,397	\$ -
Public safety	2,241,330	38,326	275,994	-
Transportation and environmental protection	1,675,252	308	158,634	-
Cultural and recreation	531,027	26,976	-	-
Interest on long-term debt	41,330	-	-	-
Total governmental activities	<u>4,850,088</u>	<u>244,766</u>	<u>880,025</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Sewer	<u>1,364,772</u>	<u>1,127,528</u>	<u>500,000</u>	<u>-</u>
Total primary government	<u>\$ 6,214,860</u>	<u>\$ 1,372,294</u>	<u>\$ 1,380,025</u>	<u>\$ -</u>
<b>Component Unit:</b>				
ABC Board	<u>\$ 2,097,147</u>	<u>\$ 2,093,006</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, 2022

	Net (Expense) Revenue and Changes in Net Position			Component Unit
	Primary Government			Town of
	Governmental Activities	Business-Type Activities	Total	Rutherfordton ABC Board
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
<b>Governmental Activities:</b>				
General government	\$ 263,404	\$ -	\$ 263,404	
Public safety	(1,927,010)	-	(1,927,010)	
Transportation and environmental protection	(1,516,310)	-	(1,516,310)	
Cultural and recreation	(504,051)	-	(504,051)	
Interest on long-term debt	(41,330)	-	(41,330)	
Total governmental activities	<u>(3,725,297)</u>	<u>-</u>	<u>(3,725,297)</u>	
<b>Business-Type Activities:</b>				
Sewer	<u>-</u>	<u>262,756</u>	<u>262,756</u>	
Total primary government	<u>(3,725,297)</u>	<u>262,756</u>	<u>(3,462,541)</u>	
<b>Component Unit:</b>				
ABC Board				<u>\$ (4,141)</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purpose	2,158,240	-	2,158,240	-
Local option sales tax	1,029,116	-	1,029,116	-
Other taxes and licenses	808,133	-	808,133	-
Investment earnings, unrestricted	40,357	1,981	42,338	104
Miscellaneous, unrestricted	<u>90,383</u>	<u>-</u>	<u>90,383</u>	<u>531</u>
Total general revenues	<u>4,126,229</u>	<u>1,981</u>	<u>4,128,210</u>	<u>635</u>
Change in net position	400,932	264,737	665,669	(3,506)
<b>Net Position:</b>				
Beginning of year - July 1	<u>6,130,121</u>	<u>7,636,125</u>	<u>13,766,246</u>	<u>317,671</u>
End of year - June 30	<u>\$ 6,531,053</u>	<u>\$ 7,900,862</u>	<u>\$ 14,431,915</u>	<u>\$ 314,165</u>

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

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2022

	Major Funds		Nonmajor	Total
	General Fund	American Recovery Plan Fund	Permanent Fund	Governmental Funds
<b>Assets:</b>				
Cash and investments	\$ 1,834,795	\$ 1,038	\$ 332,536	\$ 2,168,369
Restricted cash and investments	862,029	402,821	319,080	1,583,930
Taxes receivable, net	43,179	-	-	43,179
Other receivables, net	524,940	-	-	524,940
Total assets	<u>\$ 3,264,943</u>	<u>\$ 403,859</u>	<u>\$ 651,616</u>	<u>\$ 4,320,418</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 79,251	\$ -	\$ -	\$ 79,251
Accrued payroll and other liabilities	48,206	-	-	48,206
Advance from grantor	700,000	402,821	-	1,102,821
Total liabilities	<u>827,457</u>	<u>402,821</u>	<u>-</u>	<u>1,230,278</u>
<b>Deferred Inflows of Resources:</b>				
Property taxes receivable	43,179	-	-	43,179
Prepaid taxes	176	-	-	176
Total deferred inflows of resources	<u>43,355</u>	<u>-</u>	<u>-</u>	<u>43,355</u>
<b>Fund Balances:</b>				
Non-spendable:				
Perpetual maintenance	-	-	552,216	552,216
Restricted:				
Stabilization by state statute	524,940	-	-	524,940
Restricted for recreation endowment	-	-	99,400	99,400
Restricted, all other	163,099	-	-	163,099
Committed	-	1,038	-	1,038
Assigned, all other	467,000	-	-	467,000
Assigned for subsequent year's expenditures	37,600	-	-	37,600
Unassigned	<u>1,201,492</u>	<u>-</u>	<u>-</u>	<u>1,201,492</u>
Total fund balances	<u>2,394,131</u>	<u>1,038</u>	<u>651,616</u>	<u>3,046,785</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,264,943</u>	<u>\$ 403,859</u>	<u>\$ 651,616</u>	<u>\$ 4,320,418</u>

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

Total fund balances	\$ 3,046,785
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,538,610
Right to use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	13,069
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.	43,179
Long-term liabilities and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(1,272,864)
Net pension liability LGERS	(426,557)
Total pension liability LEOSSA	(439,508)
Pension related deferrals	28,339
Net position of governmental activities	<u>\$ 6,531,053</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, 2022

	Major Funds		Nonmajor	Total
	General Fund	American Recovery Plan Fund	Permanent Fund	Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,163,865	\$ -	\$ -	\$ 2,163,865
Unrestricted intergovernmental revenues	1,444,919	-	-	1,444,919
Restricted intergovernmental revenues	643,271	248,437	-	891,708
Sales and services	625,413	-	-	625,413
Investment earnings	3,842	1,038	10,530	15,410
Miscellaneous	80,991	-	-	80,991
Total revenues	<u>4,962,301</u>	<u>249,475</u>	<u>10,530</u>	<u>5,222,306</u>
<b>Expenditures:</b>				
Current:				
General government	860,680	-	-	860,680
Public safety	2,425,629	3,437	-	2,429,066
Transportation and environmental protection	1,703,554	-	-	1,703,554
Cultural and recreational	373,861	-	-	373,861
Debt service:				
Principal retirement	233,199	-	-	233,199
Interest and other charges	41,330	-	-	41,330
Total expenditures	<u>5,638,253</u>	<u>3,437</u>	<u>-</u>	<u>5,641,690</u>
Revenues over (under) expenditures	<u>(675,952)</u>	<u>246,038</u>	<u>10,530</u>	<u>(419,384)</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	18,246	-	-	18,246
Transfers from other funds	245,000	-	-	245,000
Transfers to other funds	-	(245,000)	-	(245,000)
Unrealized gain (loss) on investment	-	-	24,947	24,947
Lease liability issued	13,604	-	-	13,604
Installment purchases issued	331,433	-	-	331,433
Total other financing sources (uses)	<u>608,283</u>	<u>(245,000)</u>	<u>24,947</u>	<u>388,230</u>
Net change in fund balances	(67,669)	1,038	35,477	(31,154)
<b>Fund Balances:</b>				
Beginning of year - July 1	<u>2,461,800</u>	<u>-</u>	<u>616,139</u>	<u>3,077,939</u>
End of year - June 30	<u>\$ 2,394,131</u>	<u>\$ 1,038</u>	<u>\$ 651,616</u>	<u>\$ 3,046,785</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, 2022

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	\$ (31,154)
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.	(5,625)
Expenses related to compensated absences that do not require current financial resources are not reported as expenditures in the governmental funds statement.	8,124
Capital outlays and lease requirements are reported as expenditures in the governmental funds statement. However, in the Statement of Activities, capital outlay and lease requirements are not expenses, rather an increase in capital assets and right to use assets.	1,089,248
Pension expense - LEOSSA	(21,855)
Pension expense - LGERS	56,780
Depreciation expense allocates the costs of capital assets over their useful lives. It is not reported as an expenditure in the governmental funds statement.	(573,359)
Amortization of right to use leased assets is not reported as an expenditure in the governmental fund statement.	(535)
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.	(8,854)
The issuance of a debt proceeds and lease issuance provides current financial resources to governmental funds, but does not affect net position.	(345,037)
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>233,199</u>
Total change in net position of governmental activities	<u>\$ 400,932</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, 2022

	General Fund			
	Budgeted Amounts		Actual	Variance from Final Budget Over/Under
	Original	Final		
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,148,073	\$ 2,156,073	\$ 2,163,865	\$ 7,792
Unrestricted intergovernmental revenues	1,275,814	1,416,546	1,444,919	28,373
Restricted intergovernmental revenues	167,932	2,172,127	643,271	(1,528,856)
Sales and services	596,847	604,162	625,413	21,251
Investment earnings	17,850	17,850	3,842	(14,008)
Miscellaneous	15,000	151,032	80,991	(70,041)
Total revenues	<u>4,221,516</u>	<u>6,517,790</u>	<u>4,962,301</u>	<u>(1,555,489)</u>
<b>Expenditures:</b>				
Current:				
General government	731,062	1,332,469	860,680	471,789
Public safety	2,026,052	3,504,217	2,425,629	1,078,588
Transportation and environmental protection	991,625	1,789,671	1,703,554	86,117
Cultural and recreational	332,871	1,203,035	373,861	829,174
Debt service:				
Principal retirement	258,576	258,576	233,199	25,377
Interest and other charges	41,330	41,330	41,330	-
Total expenditures	<u>4,381,516</u>	<u>8,129,298</u>	<u>5,638,253</u>	<u>2,491,045</u>
Revenues over (under) expenditures	<u>(160,000)</u>	<u>(1,611,508)</u>	<u>(675,952)</u>	<u>935,556</u>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	10,000	18,800	18,246	(554)
Lease liability issued	-	-	13,604	13,604
Installment purchases issued	-	638,525	331,433	(307,092)
Transfers from other funds	-	426,500	245,000	(181,500)
Appropriated fund balance	150,000	527,683	-	(527,683)
Total other financing sources (uses)	<u>160,000</u>	<u>1,611,508</u>	<u>608,283</u>	<u>(1,003,225)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(67,669)</u>	<u>\$ (67,669)</u>
<b>Fund Balance:</b>				
Beginning of year - July 1			<u>2,461,800</u>	
End of year - June 30			<u>\$ 2,394,131</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, 2022

	<b>Business-Type Activities</b>
	<b>Major</b>
	<b>Sewer Fund</b>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 880,868
Accounts receivable, net	247,271
Total current assets	<u>1,128,139</u>
Non-current assets:	
Right to use assets, net of amortization	98,750
Capital assets:	
Land and other non-depreciable assets	1,090,776
Other capital assets, net of depreciation	7,242,658
Total non-current assets	<u>8,432,184</u>
Total assets	<u>9,560,323</u>
<b>Deferred Outflows of Resources:</b>	
Pension deferrals	<u>13,143</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	23,930
Accrued payroll	1,880
Current portion of long-term obligations	140,405
Total current liabilities	<u>166,215</u>
Non-current liabilities:	
Liabilities payable from restricted assets:	
Other non-current liabilities:	
Compensated absences	10,679
Net pension liability	8,985
Long-term obligations	1,473,354
Total non-current liabilities	<u>1,493,018</u>
Total liabilities	<u>1,659,233</u>
<b>Deferred Inflows of Resources:</b>	
Pension deferrals	<u>13,371</u>
<b>Net Position:</b>	
Net investment in capital assets	6,819,612
Unrestricted	1,081,250
Total net position	<u>\$ 7,900,862</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, 2022

	<b>Business-Type Activities</b>
	<b>Major</b>
	<b>Sewer Fund</b>
<b>Operating Revenues:</b>	
Charges for services	\$ 1,127,528
<b>Operating Expenses:</b>	
Administration	145,637
Other operating expenses	794,877
Depreciation and amortization	391,057
Total operating expenses	1,331,571
Operating income (loss)	(204,043)
<b>Non-Operating Revenues (Expenses):</b>	
Federal and state grants	500,000
Interest income	1,981
Interest expense	(33,201)
Total non-operating revenues (expenses)	468,780
Change in net position	264,737
<b>Net Position:</b>	
Beginning of year - July 1	7,636,125
End of year - June 30	\$ 7,900,862

*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, 2022

	<b>Business-Type Activities</b>
	<b>Major</b>
	<b>Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,082,852
Cash paid for goods and services	(802,707)
Cash paid to employees for services	(149,504)
Net cash provided (used) by operating activities	<u>130,641</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Federal and State Grants	<u>500,000</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition and construction of capital assets	(921,171)
Proceeds from debt issuance	473,299
Long-term debt payments	(108,395)
Interest paid	(33,201)
Net cash provided (used) for capital and related financing activities	<u>(589,468)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	<u>1,981</u>
Net increase (decrease) in cash and cash equivalents	43,154
<b>Cash and Cash Equivalents:</b>	
Beginning of year - July 1	<u>837,714</u>
End of year - June 30	<u>\$ 880,868</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	<u>\$ (204,043)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	391,057
Changes in assets and liabilities:	
(Increase) decrease in deferred outflows of resources - pension	(2,171)
Increase (decrease) in net pension liability	(11,729)
(Increase) decrease in accounts receivable	(44,676)
Increase (decrease) in accounts payable and accrued liabilities	(12,823)
Increase (decrease) in accrued vacation pay	2,285
Increase (decrease) in deferred inflows of resources - pension	12,741
Total adjustments	<u>334,684</u>
Net cash provided (used) by operating activities	<u>\$ 130,641</u>
<b>Non-Cash Transactions:</b>	
Right to use asset acquired in exchange for a lease liability	<u>\$ 118,703</u>

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



# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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, 2022

*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.

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.

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.

### 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

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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 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 departmental 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(c)(8)) authorizes the Town and the ABC Board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's 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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. 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 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 Town received advances from a grantor, and those funds are restricted for the use specified under the grant. The police department receives revenue from the state from the illegal substance tax, and these funds are restricted for use by the department. Cultural and recreation has cash that is restricted for culture and recreational uses only. The American Recovery Plan Fund received an advance from grantor, and those funds are restricted for use specified under the grant. The Permanent Fund received donation of investment that restricts its use to the Permanent Fund.

<u>Town of Rutherfordton - Restricted Cash</u>	
<b>Governmental Activities:</b>	
General Fund:	
Streets	\$ 147,270
Advance from grantor	700,000
Public safety - police	5,972
Cultural and recreational	<u>8,787</u>
Total General Fund	862,029
American Recovery Plan Fund	402,821
Permanent Fund	<u>319,080</u>
Total restricted cash	<u>\$ 1,583,930</u>

### Ad Valorem Taxes Receivable

In accordance with state law (G.S. 105-347 and G.S. 159-13(a)), the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2021.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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.

### 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:

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

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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:

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

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

<b>ABC Board</b>	
<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Building	30 years
Store equipment	10 years
Leasehold improvements	5 years
Office equipment	10 years

### **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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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.

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.



# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

#### **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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

*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.

Restricted fund balance at June 30, 1899 is as follows:

<u>Purpose</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Total Restricted</u>
Restricted, all other:			
General government	\$ 1,070	\$ -	\$ 1,070
Public safety	5,972	-	5,972
Streets	147,270	-	147,270
Cultural and recreation	8,787	-	8,787
Recreation endowment	-	99,400	99,400
Total	<u>\$ 163,099</u>	<u>\$ 99,400</u>	<u>\$ 262,499</u>

### 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.

<u>Purpose</u>	<u>American Recovery Plan Fund</u>
Committed:	
General government	<u>\$ 1,038</u>
Total	<u>\$ 1,038</u>

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

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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 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>
Assigned:	
Subsequent year's expenditures	\$ 37,600
Cultural and recreation	<u>467,000</u>
Total	<u>\$ 504,600</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, 2022

### 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, 2022, the expenditures made in the Town's Sewer Fund exceeded the authorized appropriations made by the governing board for operations by \$199,500. This over expenditure occurred because the government failed to amend its annual budget to properly budget for the acquisition of right to use leased assets as capital outlay and the related lease liabilities issued as other financing sources as required under GASB 87. Management and staff will more closely evaluate future lease agreements 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.

On June 30, 2022, the Town's deposits had a carrying amount of \$224,401 and a bank balance of \$362,931. For the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by the pooling method. At June 30, 2022, the Town's petty cash totaled \$279.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The carrying amount of the deposits for the ABC Board was \$73,954 and a bank balance of \$145,771. All of the bank balance of the ABC Board was covered by federal depository insurance.

### Investments

At June 30, 2022, 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	\$ 319,080	NA	Daily	Unrated
North Carolina Capital Management Trust Government Portfolio	Fair Value - Level 1	<u>4,089,407</u>	NA	NA	AAAm
Total		<u>\$ 4,408,487</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, 2022.

*Concentration of Credit Risk* – The Town places no limit on the amount that the Town may invest in any one issuer. More than 5% of the Town’s investment are in the Dominion Energy Inc. securities. This investment is approximately 7% of the Town’s total investments.

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, 2022, there is an unrealized gain to market value of \$319,080.

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

At June 30, 2022, the ABC Board had no investments.

**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Receivables**

At June 30, 1899, the Town’s accounts receivables and allowance for doubtful account balances were as follows:

	<u>Accounts</u>	<u>Taxes and Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
<b>Governmental Activities:</b>				
General	\$ 28,707	\$ 59,434	\$ 496,233	\$ 584,374
Allowance for doubtful accounts	-	(16,255)	-	(16,255)
Total governmental activities	<u>\$ 28,707</u>	<u>\$ 43,179</u>	<u>\$ 496,233</u>	<u>\$ 568,119</u>
<b>Business-Type Activities:</b>				
Sewer	\$ 306,190	-	-	\$ 306,190
Allowance for doubtful accounts	(58,919)	-	-	(58,919)
Total business-type activities	<u>\$ 247,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 247,271</u>

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

<u>Due from Other Governments</u>	
<u>Description</u>	<u>Total</u>
Local option sales tax	\$ 272,355
Utility franchise tax	89,742
Sales tax refund	71,987
Other	62,149
Total	<u>\$ 496,233</u>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Capital Assets

Capital asset activity for the Town for the year ended June 30, 2022 was as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
<b>Governmental Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 427,081	\$ 27,301	\$ 8,854	\$ -	\$ 445,528
Construction in progress	<u>1,586,451</u>	<u>-</u>	<u>-</u>	<u>(1,586,451)</u>	<u>-</u>
Total non-depreciable capital assets	<u>2,013,532</u>	<u>27,301</u>	<u>8,854</u>	<u>(1,586,451)</u>	<u>445,528</u>
<b>Depreciable Capital Assets:</b>					
Buildings and building improvements	6,495,331	-	-	-	6,495,331
Equipment and vehicles	4,292,551	898,270	-	1,586,451	6,777,272
Computer equipment	<u>85,334</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,334</u>
Total depreciable capital assets	<u>10,873,216</u>	<u>898,270</u>	<u>-</u>	<u>1,586,451</u>	<u>13,357,937</u>
<b>Less Accumulated Depreciation:</b>					
Buildings	4,338,125	179,094	-	-	4,517,219
Equipment and vehicles	3,273,354	393,165	-	-	3,666,519
Computer equipment	<u>80,017</u>	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>81,117</u>
Total accumulated depreciation	<u>7,691,496</u>	<u>\$ 573,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>8,264,855</u>
Total depreciable capital assets, net	<u>3,181,720</u>				<u>5,093,082</u>
Governmental activities capital assets, net	<u>\$ 5,195,252</u>				<u>\$ 5,538,610</u>

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

General government	\$ 54,664
Public safety	213,796
Transportation and environmental	134,752
Culture and recreation	<u>170,147</u>
Total	<u>\$ 573,359</u>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2022</u>
<b>Business-Type Activities:</b>					
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 18,750	\$ -	\$ -	\$ -	\$ 18,750
Construction in progress	<u>1,839,524</u>	<u>1,020,250</u>	<u>-</u>	<u>(1,787,748)</u>	<u>1,072,026</u>
Total non-depreciable capital assets	<u>1,858,274</u>	<u>1,020,250</u>	<u>-</u>	<u>(1,787,748)</u>	<u>1,090,776</u>
<b>Depreciable Capital Assets:</b>					
Pump stations and sewer lines	5,540,313	-	-	1,787,748	7,328,061
Wastewater treatment plant	5,205,826	-	-	-	5,205,826
Streets	42,284	-	-	-	42,284
Equipment	<u>652,651</u>	<u>30,994</u>	<u>-</u>	<u>-</u>	<u>683,645</u>
Total depreciable capital assets	<u>11,441,074</u>	<u>30,994</u>	<u>-</u>	<u>1,787,748</u>	<u>13,259,816</u>
<b>Less Accumulated Depreciation:</b>					
Pump stations and sewer lines	2,211,686	179,977	-	-	2,391,663
Wastewater treatment plant	3,018,228	126,505	-	-	3,144,733
Streets	10,042	1,791	-	-	11,833
Equipment	<u>406,098</u>	<u>62,831</u>	<u>-</u>	<u>-</u>	<u>468,929</u>
Total accumulated depreciation	<u>5,646,054</u>	<u>\$ 371,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,017,158</u>
Total depreciable capital assets, net	<u>5,795,020</u>				<u>7,242,658</u>
Business-type activities capital assets, net	<u>\$ 7,653,294</u>				<u>\$ 8,333,434</u>

### Right-to-Use Asset

The Town has recorded seven right-to-use leased assets. The assets are right-to-use assets for leased equipment and leased vehicles. The related leases are discussed in the leases subsection of the liabilities section of this note. The right-to-use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right-to-use asset activity for the Primary Government for the year ended June 30, 2022, was as follows:

	<u>June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2022</u>
<b>Governmental Activities:</b>				
Leased vehicles and equipment	\$ -	\$ 13,604	\$ -	\$ 13,604
Less: accumulated amortization	<u>-</u>	<u>(535)</u>	<u>-</u>	<u>(535)</u>
Right-to-use assets, net	<u>-</u>	<u>13,069</u>	<u>-</u>	<u>13,069</u>
<b>Business-Type Activities:</b>				
Leased vehicles and equipment	-	118,703	-	118,703
Less: accumulated amortization	<u>-</u>	<u>(19,953)</u>	<u>-</u>	<u>(19,953)</u>
Right-to-use assets, net	<u>\$ -</u>	<u>\$ 98,750</u>	<u>\$ -</u>	<u>\$ 98,750</u>



# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Construction Commitments

The Town has active construction projects as of June 30, 2022. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
RS Middle School	\$ 1,090,975	\$ 47,420

### Discretely Presented Component Units:

The capital asset activity of the ABC Board for the year ended June 30, 2022 was as follows:

	July 1, 2021	Additions	Deletions	June 30, 2022
<b>Non-Depreciable Capital Assets:</b>				
Land	\$ 5,098	\$ -	\$ -	\$ 5,098
<b>Depreciable Capital Assets:</b>				
Building	175,526	-	-	175,526
Store equipment	61,422	-	-	61,422
Office equipment	8,974	-	-	8,974
Leasehold improvements	101,879	3,481	-	105,360
Total depreciable capital assets	347,801	3,481	-	351,282
<b>Less Accumulated Depreciation:</b>				
Building	174,493	364	-	174,857
Store equipment	60,239	249	-	60,488
Office equipment	8,648	170	-	8,818
Leasehold improvements	75,850	3,214	-	79,064
Total accumulated depreciation	319,230	\$ 3,997	\$ -	323,227
Total depreciable capital assets, net	28,571			28,055
ABC Board capital assets, net	\$ 33,669			\$ 33,153

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### B. Liabilities

#### Payables

Payables at the government-wide level at June 30, 2022 were as follows:

	<b>Vendors</b>	<b>Salaries and Benefits</b>	<b>Total</b>
<b>Governmental Activities:</b>			
General	\$ 79,251	\$ 48,206	\$ 127,457
<b>Business-Type Activities:</b>			
Sewer	\$ 23,930	\$ 1,880	\$ 25,810

#### 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 for the State of North Carolina. The state's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with 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

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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, 1899, was 12.10% of compensation for law enforcement officers and 11.35% 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 \$233,072 for the year ended June 30, 1899.

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

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

At June 30, 1899, the Town reported a liability of \$435,542 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 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, 2021 (measurement date), the Town's proportion was 0.02840%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2020.

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

For the year ended June 30, 2022, the Town recognized pension expense of \$175,132. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 138,561	\$ -
Changes of assumptions	273,631	-
Net difference between projected and actual earnings on pension plan investment	-	622,258
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	36,738
Town contributions subsequent to the measurement date	233,072	-
<b>Total</b>	<b>\$ 645,264</b>	<b>\$ 658,996</b>

\$233,072 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, 2023.

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

<b>Year Ending June 30</b>	<b>Amount</b>
2023	\$ 24,687
2024	(26,196)
2025	(54,882)
2026	(190,413)
<b>Total</b>	<b>\$ (246,804)</b>

*Actuarial Assumptions.* The total pension liability in the December 31, 2020 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

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

The actuarial assumptions used in the December 31, 2020 valuation, with the exception of the discount rate were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns, and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Sensitive	<u>6.0%</u>	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary as a part of a study conducted in 2016, 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 3.05%. Return projections do not include any excess return expectations over benchmark averages. All rates of return and inflation are annualized.

**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*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.

*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:

	<b>1% Decrease (5.50%)</b>	<b>Discount Rate (6.50%)</b>	<b>1% Increase (7.50%)</b>
Net pension liability	<u>\$ 1,690,735</u>	<u>\$ 435,542</u>	<u>\$ (597,410)</u>

*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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2020, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Active plan members	<u>14</u>
Total	<u><u>15</u></u>

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.

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, 2020 valuation the total pension liability in the December 31, 2020 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	2.25 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, 2020 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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

**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 finance through investment earnings. The Town paid \$21,297 in benefits for the reporting period.

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

At June 30, 2022, the Town reported a pension liability of \$439,508. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$43,968.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 96,751	\$ 145,014
Changes of assumptions	98,267	18,772
Town benefit payments and plan administrative expense made subsequent to the measurement date	10,611	-
Total	<b>\$ 205,629</b>	<b>\$ 163,786</b>



**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending</b>	
<b>June 30</b>	<b>Amount</b>
2023	\$ 9,519
2024	5,282
2025	(9,841)
2026	(301)
2027	20,826
Thereafter	<u>5,747</u>
Total	<u><u>\$ 31,232</u></u>

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate.* The following presents the Town's total pension liability calculated using the discount rate of 2.25 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 (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

	<b>1% Decrease (1.25%)</b>	<b>Discount Rate (2.25%)</b>	<b>1% Increase (3.25%)</b>
Total pension liability	\$ <u>487,577</u>	\$ <u>439,508</u>	\$ <u>396,207</u>

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

	<b>2022</b>
Beginning balance	\$ 384,167
Service cost	28,117
Interest on the total pension liability	7,209
Difference between expected and actual experience	56,162
Changes of assumptions and other inputs	(14,850)
Benefit payments	<u>(21,297)</u>
Ending balance of the total pension liability	<u><u>\$ 439,508</u></u>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

*Changes of Assumptions.* Changes of assumptions and other inputs reflect a change in the discount rate from 1.93 percent at December 31, 2020 to 2.25 percent at December 31, 2021.

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, 2020 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.

### ***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:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension expense	\$ 175,132	\$ 43,968	\$ 219,100
Pension liability	435,542	439,508	875,050
Proportionate share of the net pension liability	0.02840%	NA	-

### **Deferred Outflows of Resources**

Differences between expected and actual experience	\$ 138,561	\$ 96,751	\$ 235,312
Changes of assumptions	273,631	98,267	371,898
Town contributions (LGERS) and benefit payments and administration costs (LEOSSA) subsequent to the measurement date	233,072	10,611	243,683
	\$ 645,264	\$ 205,629	\$ 850,893

### **Deferred Inflows of Resources**

Differences between expected and actual experience	\$ -	\$ 145,014	\$ 145,014
Changes of assumptions	-	18,772	18,772
Net difference between projected and actual earnings on pension plan investments	622,258	-	622,258
Changes in proportion and differences between Town contributions and proportionate share of contributions	36,738	-	36,738
	\$ 658,996	\$ 163,786	\$ 822,782

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### 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 \$22,388 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.

### 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	\$	645,264
LEOSSA deferrals		205,629
Total	\$	<u>850,893</u>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Property taxes receivable	\$ -	\$ 43,179
Prepaid taxes	176	176
Pension deferrals	658,996	-
LEOSSA deferrals	163,786	-
Total	<u>\$ 822,958</u>	<u>\$ 43,355</u>

### 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 U.S. Specialty Insurance 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 Bitco Insurance Company. 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.

### 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, 2022, the value of the lease liability is \$6,291. The Town of Rutherfordton is required to make annual fixed payments of \$6,328. The lease has an interest rate of 0.5925%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, of \$12,618 with accumulated amortization of \$51.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

On June 16, 2016, the Town of Rutherfordton, NC entered into a 23-month lease as Lessee for the use of Pitney Bowes - DM125. An initial lease liability was recorded in the amount of \$986. As of June 30, 2022, the value of the lease liability is \$424. The Town of Rutherfordton is required to make quarterly fixed payments of \$142. The lease has an interest rate of 0.5925%. The Equipment estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, of \$986 with accumulated amortization of \$484.

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, 2022, the value of the lease liability is \$37,039. The Town of Rutherfordton is required to make monthly fixed payments of \$1,044. The lease has an interest rate of 0.9599%. The Vehicles estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, of \$49,382 with accumulated amortization of \$12,174 is included with Vehicles on the Lease Class activities table found below. 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, 2022, the value of the lease liability is \$61,246. The Town of Rutherfordton is required to make monthly fixed payments of \$1,190. The lease has an interest rate of 1.2956%. The Vehicles estimated useful life was 0 months as of the contract commencement. The value of the right to use asset as of June 30, 2022, of \$69,321 with accumulated amortization of \$7,779 is included with Vehicles on the Lease Class activities table found below. 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, 2022, were as follows:

<b>Year Ending</b>	<b>Governmental Activities</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 6,715	\$ 39	\$ 6,754

<b>Year Ending</b>	<b>Business-Type Activities</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 25,790	\$ 1,015	\$ 26,805
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	\$ 98,285	\$ 2,353	\$ 100,638

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Installment Purchase

On September 12, 2012, the Town executed a direct placement installment purchase agreement for \$509,981 to purchase a fire truck. This bears interest at 2.08% and calls for monthly principal and interest payments of \$4,711 beginning in October 2012 through September 2022. \$ 13,008

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. 627,721

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. 193,026

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. 296,477  
\$ 1,130,232

The Town's outstanding note from direct placements of \$13,008, is secured with the collateral of the fire truck. In the event of a default, the Town agrees to pay to the purchaser, on demand, all amounts owing by the Town under the related agreements, and such amounts shall, thereafter, bear interest at the rate of 12% per annum or the maximum rate permitted by applicable law, whichever is less.

The Town's outstanding notes from direct placements of \$627,721 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 \$193,026, 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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town's outstanding note from direct placements of \$296,477, 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, 2022, are as follows:

<b>Year Ending</b>		
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 211,433	\$ 32,712
2024	201,351	25,362
2025	105,786	20,794
2026	106,748	18,479
2027	73,355	16,150
2028-2032	196,163	59,217
2033-2037	196,163	25,379
2038	<u>39,233</u>	<u>1,015</u>
Total	<u>\$ 1,130,232</u>	<u>\$ 199,108</u>

### 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. \$ 124,623

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. 798,918  
\$ 923,541

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

The Town’s outstanding notes from direct borrowings related to business-type activities of \$124,623 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 \$798,918 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, 2022, are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 81,088	\$ 29,525
2024	81,088	27,119
2025	81,088	24,712
2026	81,088	22,306
2027	49,932	20,241
2028-2032	249,662	75,367
2033-2037	249,662	32,300
2038	49,933	1,293
Total	<u>\$ 923,541</u>	<u>\$ 232,863</u>

### 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.

\$ 117,447

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.

473,299  
\$ 590,746



# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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.

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 32,340	\$ -
2024	32,340	-
2025	32,340	-
2026	32,340	-
2027	32,340	-
2028-2032	161,702	-
2033-2037	161,702	-
2038-2042	105,642	-
Total	<u>\$ 590,746</u>	<u>\$ -</u>

### Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2022 is computed as follows:

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
Capital assets, net of accumulated depreciation	\$ 5,538,610	\$ 8,333,434
Right to use assets, net of accumulated amortization	13,069	98,750
Long-term debt	<u>(1,136,947)</u>	<u>(1,612,572)</u>
Net investment in capital assets	<u>\$ 4,414,732</u>	<u>\$ 6,819,612</u>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion of Balance</b>
<b>Governmental Activities:</b>					
Direct placement Installment Purchases	\$ 1,025,109	\$ 331,433	\$ (226,310)	\$ 1,130,232	\$ 211,433
Lease liabilities	-	13,604	(6,889)	6,715	6,715
Total pension liability - LEOSSA	384,167	55,341	-	439,508	-
Net pension liability - LGERS	1,001,287	-	(574,730)	426,557	-
Compensated absences	144,041	29,948	(38,072)	135,917	13,592
<b>Total</b>	<b>\$ 2,554,604</b>	<b>\$ 430,326</b>	<b>\$ (846,001)</b>	<b>\$ 2,138,929</b>	<b>\$ 231,740</b>
<b>Business-Type Activities:</b>					
Direct placements and direct borrowings	\$ 1,004,628	\$ -	\$ (81,087)	\$ 923,541	\$ 81,088
Direct borrowings - Revolving loans	124,787	473,299	(7,340)	590,746	32,340
Lease liabilities	-	118,253	(19,968)	98,285	25,790
Net pension liability - LGERS	20,714	-	(11,729)	8,985	-
Compensated absences	9,581	2,285	-	11,866	1,187
<b>Total</b>	<b>\$ 1,159,710</b>	<b>\$ 593,837</b>	<b>\$ (120,124)</b>	<b>\$ 1,633,423</b>	<b>\$ 140,405</b>

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, 2022, the Town had a legal debt margin of \$29,680,967.

### 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	\$ 2,394,131
Less:	
Stabilization by state statute	(524,940)
<b>Total available fund balance</b>	<b>\$ 1,869,191</b>

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### D. Interfund Balances and Activity

Transfers to/from other funds for the year ended June 30, 2022 consist of the following:

	Transfers		
	From	To	Purpose
General Fund	\$ -	\$ 245,000	For departmental salaries and benefits covered under grant funding.
ARP Fund Special Revenue	245,000	-	
Total	\$ 245,000	\$ 245,000	

### 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.

### 5. Other Matters

The Rutherfordton Golf Club, Inc. is a golf course located on property owned by the Town. The property is leased to the golf club for \$1 annually. The golf club is governed by a Board that is appointed and serves independently of the Town. The Town, in conjunction with the recreation trust fund, paid expenses for the golf club of \$17,215 and \$18,038 in 1899 and 2021, respectively.

#### 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.

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

### Related Party Transactions

The Town and its discretely presented component unit engaged in the following transactions during the year ended June 30, 2022:

<b>Town of Rutherfordton ABC Board:</b>	
Payments to the Town for profit distributions	\$ 42,000
Payments to the Town for law enforcement	19,518
Payments to the Town for education and rehabilitation	<u>8,000</u>
Total	<u>\$ 69,518</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, 1899, the Town is not involved in any legal action that would have a material effect upon the financial position of the Town.

### 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. The Town received \$651,258 prior to year-end and received \$651,258 subsequent to year-end. Town staff and the Board of Commissioners have elected to use \$245,000 of the ARPA funds for premium pay and salary costs. They also elected to use \$3,437 for covid supplies. The \$245,000 was transferred to the General Fund from the ARP Grant Fund. The remaining funds will be transferred to the appropriate funds once the intended use of the funds is determined

### 8. Change in Accounting Principle

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**REQUIRED SUPPLEMENTAL INFORMATION**

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**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 384,167	\$ 267,471	\$ 462,590
Service cost	28,117	18,644	16,998
Interest on the total pension liability	7,209	8,480	16,838
Differences between expected and actual experience in the measurement of the total pension liability	56,162	(20,391)	(238,843)
Changes of assumptions or other inputs	(14,850)	124,655	9,888
Benefit payments	<u>(21,297)</u>	<u>(14,692)</u>	<u>-</u>
Ending balance of the total pension liability	<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 SIX 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	(6,760)	(10,984)	(10,984)
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 SIX FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 439,508	\$ 384,167	\$ 267,471
Covered-employee payroll	685,377	659,195	650,345
Total pension liability as a percentage of covered-employee payroll	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 SIX 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 NINE FISCAL YEARS\***

<b>Local Governmental Employees' Retirement System</b>					
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Town's proportion of the net pension liability (asset) (%)	0.02840%	0.02860%	0.02870%	0.03016%	0.03036%
Town's proportion of the net pension liability (asset) (\$)	\$ 435,542	\$ 1,022,001	\$ 783,775	\$ 715,498	\$ 463,818
Town's covered payroll	1,787,662	1,901,689	1,858,690	1,756,855	1,792,807
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.36%	53.74%	42.17%	40.73%	25.87%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	91.63%	94.18%

\* 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.

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

	<b>Local Governmental Employees' Retirement System</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.02903%	0.03033%	0.02908%	0.03190%
Town's proportion of the net pension liability (asset) (\$)	\$ 616,115	\$ 136,120	\$ (171,498)	\$ 384,517
Town's covered payroll	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	36.97%	8.47%	-11.39%	23.95%
Plan fiduciary net position as a percentage of the total pension liability**	91.47%	98.09%	102.64%	94.35%

TOWN OF RUTHERFORDTON, NORTH CAROLINA

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

<u>Local Governmental Employees' Retirement System</u>					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 233,072	\$ 186,730	\$ 176,075	\$ 150,059	\$ 137,641
Contributions in relation to the contractually required contribution	<u>233,072</u>	<u>186,730</u>	<u>176,075</u>	<u>150,059</u>	<u>137,641</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 2,002,741	\$ 1,787,662	\$ 1,901,689	\$ 1,858,690	\$ 1,756,855
Contributions as a percentage of covered payroll	11.64%	10.45%	9.26%	8.07%	7.83%

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

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

Local Governmental Employees' Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 136,129	\$ 115,344	\$ 115,772	\$ 107,555
Contributions in relation to the contractually required contribution	<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>
Town's covered payroll	\$ 1,792,807	\$ 1,666,634	\$ 1,606,643	\$ 1,505,579
Contributions as a percentage of covered payroll	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, 2022**

	<b>2022</b>		<b>Variance Over/(Under)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
<b>Ad Valorem Taxes:</b>			
Taxes - General Fund		\$ 2,147,748	
Penalties, interest, and advertising		16,117	
Total	\$ 2,156,073	2,163,865	\$ 7,792
<b>Unrestricted Intergovernmental Revenues:</b>			
Local option sales tax		1,029,116	
ABC profit distribution		42,000	
Utility sales tax		358,967	
Beer and wine tax		14,836	
Total	1,416,546	1,444,919	28,373
<b>Restricted Intergovernmental Revenues:</b>			
Special assessments - downtown revitalization		11,683	
State grants		442,522	
Powell Bill allocation		131,863	
State distribution for drug enforcement		39	
Solid waste tax disbursement		2,875	
SAFER grant		26,771	
ABC funds for law enforcement		27,518	
Total	2,172,127	643,271	(1,528,856)
<b>Sales and Services:</b>			
Fire district revenue		380,647	
Cable TV franchise		10,932	
Solid waste user fee		145,068	
Recycling & refuse		108	
Crestview park rental		3,190	
Clubhouse revenue		19,475	
Federal building lease		16,710	
Police reports		120	
Other fees		49,163	
Total	604,162	625,413	21,251
<b>Investment Earnings</b>	17,850	3,842	(14,008)

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, 2022

	<b>2022</b>		<b>Variance Over/(Under)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Miscellaneous:</b>			
Other		80,991	
Total	151,032	80,991	(70,041)
Total revenues	6,517,790	4,962,301	(1,555,489)
<b>Expenditures:</b>			
<b>General Government:</b>			
<b>Governing Body:</b>			
Salaries and employee benefits		12,660	
Operating expenditures		6,016	
Total	17,000	18,676	(1,676)
<b>Administration:</b>			
Salaries and employee benefits		284,327	
Operating expenditures		257,167	
Total	556,978	542,480	14,498
<b>Main Street Programs and Zoning:</b>			
Salaries and employee benefits		59,762	
Operating expenditures		194,847	
Capital outlay		44,915	
Total	758,491	299,524	458,967
Total general government	1,332,469	860,680	471,789
<b>Public Safety:</b>			
<b>Police:</b>			
Salaries and employee benefits		1,005,583	
Operating expenditures		165,766	
Capital outlay		253,661	
Total	1,498,672	1,425,010	73,662
<b>Fire:</b>			
Salaries and employee benefits		690,466	
Operating expenditures		196,383	
SAFER grant expenditures		26,770	
Capital outlay		87,000	
Total	2,005,545	1,000,619	1,004,926
Total public safety	3,504,217	2,425,629	1,078,588

**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, 2022**

	<b>2022</b>		<b>Variance Over/(Under)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Public Works:</b>			
Salaries and employee benefits		550,641	
Operating expenditures		317,434	
Capital outlay		654,030	
Total	1,540,857	1,522,105	18,752
<b>Powell Bill:</b>			
Operating expenditures		161,675	
Capital outlay		19,774	
Total	248,814	181,449	67,365
Total transportation and environmental protection	1,789,671	1,703,554	86,117
<b>Cultural and Recreational:</b>			
<b>Library:</b>			
Salaries and employee benefits		148,598	
Operating expenditures		26,418	
Capital outlay		11,462	
Total	200,322	186,478	13,844
<b>Parks:</b>			
Operating expenditures		125,493	
Capital outlay		57,049	
Total	901,213	182,542	718,671
<b>Trails and Greenways:</b>			
Operating expenditures		4,841	
Total	101,500	4,841	96,659
Total cultural and recreational:	1,203,035	373,861	829,174
<b>Debt Service:</b>			
Principal retirement		233,199	
Interest		41,330	
Total debt service	299,906	274,529	25,377
Total expenditures	8,129,298	5,638,253	2,491,045

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, 2022

	<u>2022</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues over (under) expenditures	(1,611,508)	(675,952)	935,556
<b>Other Financing Sources (Uses):</b>			
Lease liability issued	-	13,604	13,604
Proceeds from debt issuance	638,525	331,433	(307,092)
Sale of capital assets	18,800	18,246	(554)
Transfers from other funds	426,500	245,000	(181,500)
Appropriated fund balance	527,683	-	(527,683)
Total other financing sources (uses)	<u>1,611,508</u>	<u>608,283</u>	<u>(1,003,225)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(67,669)</u>	<u>\$ (67,669)</u>
<b>Fund Balance:</b>			
Beginning of year - July 1		<u>2,461,800</u>	
End of year - June 30		<u>\$ 2,394,131</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, 2022

	Project Authorization	Actual			Variance Over/Under
		Prior Year	Current Year	Total to Date	
<b>Revenues:</b>					
Restricted intergovernmental:					
American Rescue Plan	\$ 1,302,516	\$ -	\$ 248,437	\$ 248,437	\$ (1,054,079)
Investment earnings	-	-	1,038	1,038	1,038
Total revenues	<u>1,302,516</u>	<u>-</u>	<u>249,475</u>	<u>249,475</u>	<u>(1,053,041)</u>
<b>Expenditures:</b>					
Projects	576,258	-	-	-	576,258
COVID supplies	<u>22,516</u>	<u>-</u>	<u>3,437</u>	<u>3,437</u>	<u>19,079</u>
Total expenditures	<u>598,774</u>	<u>-</u>	<u>3,437</u>	<u>3,437</u>	<u>595,337</u>
Revenues over (under) expenditures	703,742	-	246,038	246,038	(457,704)
<b>Other Financing Sources (Uses):</b>					
Transfer to other funds	<u>(703,742)</u>	<u>-</u>	<u>(245,000)</u>	<u>(245,000)</u>	<u>458,742</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,038	<u>\$ 1,038</u>	<u>\$ 1,038</u>
<b>Fund Balance:</b>					
Beginning of year - July 1			<u>-</u>		
End of year - June 30			<u>\$ 1,038</u>		

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL (NON-GAAP)  
 SEWER FUND  
 FOR THE YEAR ENDED JUNE 30, 2022

	2022			2021
	Budget	Actual	Variance Over/Under	Actual
<b>Revenues:</b>				
Operating revenues:				
Fees for service	\$ 1,030,000	\$ 1,127,528	\$ 97,528	\$ 924,089
Non-operating revenues:				
Miscellaneous	5,000	-	(5,000)	7,223
Interest income	1,000	363	(637)	58
Total revenues	<u>1,036,000</u>	<u>1,127,891</u>	<u>91,891</u>	<u>931,370</u>
<b>Expenditures:</b>				
<b>Operations:</b>				
Salaries and employee benefits	167,685	149,081	18,604	159,934
Other operating expenditures	653,920	913,580	(259,660)	657,830
Capital outlay	73,000	30,994	42,006	16,535
Total operating expenditures	<u>894,605</u>	<u>1,093,655</u>	<u>(199,050)</u>	<u>834,299</u>
<b>Debt Service:</b>				
Principal retirement	108,395	108,395	-	127,660
Interest paid	37,084	33,201	3,883	4,589
Total debt service	<u>145,479</u>	<u>141,596</u>	<u>3,883</u>	<u>132,249</u>
Total expenditures	<u>1,040,084</u>	<u>1,235,251</u>	<u>(195,167)</u>	<u>966,548</u>
Revenue over (under) expenditures	<u>(4,084)</u>	<u>(107,360)</u>	<u>(103,276)</u>	<u>(35,178)</u>
<b>Other Financing Sources (Uses):</b>				
Lease liabilities issued	-	118,253	118,253	-
Appropriated net position	4,084	-	(4,084)	-
Total other financing sources (uses)	<u>4,084</u>	<u>118,253</u>	<u>114,169</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>10,893</u>	<u>\$ 10,893</u>	<u>\$ (35,178)</u>
<b>Reconciliation of Modified Accrual Basis to Full Accrual Basis:</b>				
Reconciling items:				
Capital outlay, capitalized		30,994		
Principal paid on long-term debt		108,395		
Change in accrued vacation		2,285		
Income from capital projects consolidation		501,618		
Increase in deferred outflows of resources - pensions		2,171		
Decrease in deferred inflows of resources - pensions		(12,741)		
Increase in net pension liability		11,729		
Right to use asset capitalized		118,703		
Lease liability issued		(118,253)		
Depreciation and amortization		(391,057)		
Total reconciling items		<u>253,844</u>		
Change in net position		<u>\$ 264,737</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, 2022

	Project Authorization	Actual			Variance Over/Under
		Prior Years	Current Year	Total to Date	
<b>Revenues:</b>					
<b>Tryon Equestrian Salamander Hotel Sewer Project:</b>					
TIEC Contribution	\$ 268,097	\$ 268,097	\$ -	\$ 268,097	\$ -
North Carolina Commerce Rural Economic Development	360,000	360,000	-	360,000	-
Investment earnings	-	5,587	242	5,829	5,829
Total revenues	<u>628,097</u>	<u>633,684</u>	<u>242</u>	<u>633,926</u>	<u>5,829</u>
<b>Expenditures:</b>					
<b>Charlotte Road Sewer Projects:</b>					
Professional services	24,000	5,300	-	5,300	18,700
Construction	164,000	147,998	-	147,998	16,002
Total	<u>188,000</u>	<u>153,298</u>	<u>-</u>	<u>153,298</u>	<u>34,702</u>
<b>Tryon Equestrian Salamander Hotel Sewer Project:</b>					
Professional services	68,570	24,010	-	24,010	44,560
Construction	559,527	570,588	-	570,588	(11,061)
Total	<u>628,097</u>	<u>594,598</u>	<u>-</u>	<u>594,598</u>	<u>33,499</u>
Total expenditures	<u>816,097</u>	<u>747,896</u>	<u>-</u>	<u>747,896</u>	<u>68,201</u>
Revenues over (under) expenditures	<u>(188,000)</u>	<u>(114,212)</u>	<u>242</u>	<u>(113,970)</u>	<u>74,030</u>
<b>Other Financing Sources (Uses):</b>					
Transfer from Sewer Fund	21,115	-	-	-	(21,115)
Proceeds from debt issuance	166,885	146,807	-	146,807	(20,078)
Total other financing sources (uses)	<u>188,000</u>	<u>146,807</u>	<u>-</u>	<u>146,807</u>	<u>(41,193)</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 32,595</u>	<u>\$ 242</u>	<u>\$ 32,837</u>	<u>\$ 32,837</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, 2022**

	<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>	
<b>Revenues:</b>					
Investment earnings	\$ -	\$ 111	\$ -	\$ 111	\$ 111
<b>Expenditures:</b>					
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
<b>Other Financing Sources (Uses):</b>					
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, 2022**

	<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>	
<b>Revenues:</b>					
<b>RS Middle School Project:</b>					
RCS contribution	\$ 333,103	\$ 333,103	\$ -	\$ 333,103	\$ -
Federal and State Grants	500,000	-	500,000	500,000	-
Investment earnings	-	-	1,376	1,376	1,376
Total revenues	<u>833,103</u>	<u>333,103</u>	<u>501,376</u>	<u>834,479</u>	<u>1,376</u>
<b>Expenditures:</b>					
<b>RS Middle School Project:</b>					
Professional services	53,094	50,876	991	51,867	1,227
Construction	<u>1,139,395</u>	<u>900</u>	<u>1,019,259</u>	<u>1,020,159</u>	<u>119,236</u>
Total expenditures	<u>1,192,489</u>	<u>51,776</u>	<u>1,020,250</u>	<u>1,072,026</u>	<u>120,463</u>
Revenues over (under) expenditures	<u>(359,386)</u>	<u>281,327</u>	<u>(518,874)</u>	<u>(237,547)</u>	<u>121,839</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds from debt issuance	<u>359,386</u>	<u>-</u>	<u>473,299</u>	<u>473,299</u>	<u>113,913</u>
Total other financing sources (uses)	<u>359,386</u>	<u>-</u>	<u>473,299</u>	<u>473,299</u>	<u>113,913</u>
Revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ 281,327</u>	<u>\$ (45,575)</u>	<u>\$ 235,752</u>	<u>\$ 235,752</u>

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND  
JUNE 30, 2022

Fiscal Year	Uncollected Balance July 1, 2021	Additions	Collections and Credits	Uncollected Balance June 30, 2022
2021-2022	\$ -	\$ 2,181,971	\$ 2,160,851	\$ 21,120
2020-2021	26,687	-	16,778	9,909
2019-2020	12,719	-	3,399	9,320
2018-2019	5,160	-	1,222	3,938
2017-2018	5,238	-	1,323	3,915
2016-2017	5,331	-	686	4,645
2015-2016	3,337	-	492	2,845
2014-2015	1,910	-	640	1,270
2013-2014	2,913	-	517	2,396
2012-2013	819	-	743	76
2011-2012	1,141	-	1,141	-
Total	<u>\$ 65,255</u>	<u>\$ 2,181,971</u>	<u>\$ 2,187,792</u>	<u>59,434</u>
Less: allowance for uncollectible accounts: General Fund				<u>(16,255)</u>
Ad valorem taxes receivable net: General Fund				<u>\$ 43,179</u>
<b>Reconciliation with Revenues:</b>				
Ad valorem taxes - General Fund				\$ 2,147,748
Reconciling items:				
Municipal Tax District				11,683
Other miscellaneous adjustments				27,220
Amounts written off per statute of limitations				<u>1,141</u>
Total collections and credits				<u>\$ 2,187,792</u>

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

ANALYSIS OF CURRENT TAX LEVY  
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Town-Wide</u>			<u>Total Levy</u>	
	<u>Property Valuation</u>	<u>Rate</u>	<u>Amount of Levy</u>	<u>Property Excluding Registered Motor Vehicles</u>	<u>Registered Motor Vehicles</u>
<b>Original Levy:</b>					
Property taxed at current year's rate	\$ 395,612,906	\$ 0.540	\$ 2,136,310	\$ 1,947,581	\$ 188,729
<b>Discoveries:</b>					
Current year taxes	<u>8,455,674</u>	0.540	<u>45,661</u>	<u>45,661</u>	<u>-</u>
Total property valuation	<u>\$ 404,068,580</u>				
<b>Net Levy</b>			2,181,971	1,993,242	188,729
Uncollected taxes at June 30, 2022			<u>(21,120)</u>	<u>(21,120)</u>	<u>-</u>
<b>Current Year's Taxes Collected</b>			<u>\$ 2,160,851</u>	<u>\$ 1,972,122</u>	<u>\$ 188,729</u>
<b>Current Levy Collection Percentage</b>			<u>99.03%</u>	<u>98.94%</u>	<u>100.00%</u>

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## **COMPLIANCE**

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# MARTIN STARNES

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## & 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  
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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Rutherfordton, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 28, 2022.

Our report includes a reference to other auditors who audited the financial statements of the Town of Rutherfordton ABC Board as described in our report on the Town of Rutherfordton's financial statements. The financial statements of the Town of Rutherfordton ABC Board were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable non-compliance associated with the Town of Rutherfordton ABC Board.

#### **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 2022-002 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 2022-001 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 2022-002.

### **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  
October 28, 2022

# MARTIN STARNES

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## & ASSOCIATES, CPAs, P.A.

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

### **Report on Compliance for Each Major Federal Program; 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  
Rutherfordton, North Carolina

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2022. The Town of Rutherfordton's major federal 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

##### ***Basis for Opinion on Each Major Federal 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 federal 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 federal 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 judgement made by a reasonable user of the report on compliance about the Town of Rutherfordton's compliance with the requirements of each major federal 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 the 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 federal 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 federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in*

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section 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  
October 28, 2022

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**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**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?	<u>  X  </u>	Yes	<u>      </u>	No
• Significant deficiencies identified?	<u>  X  </u>	Yes	<u>      </u>	No
Non-compliance material to financial statements noted?	<u>  X  </u>	Yes	<u>      </u>	No

**Federal Awards**

Internal control over major federal programs:		
• Material weakness(es) identified?		No
• Significant deficiency(s) identified?		None reported
Type of auditor's report issued on compliance for major federal programs		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?		No
Identification of major federal programs:		

<b><u>Federal Program</u></b>	<b><u>AL Number</u></b>
Capitalization Grants for Clean Water State Revolving Funds	66.458
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	No

# TOWN OF RUTHERFORDTON, NORTH CAROLINA

## SCHEDULE OF FINDINGS, RESPONSES, AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

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

#### Significant Deficiency

##### Finding 2022-001

**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, 2021-001.

**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, 2022

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

#### Material Weakness/Non-Compliance

##### Finding 2022-002

**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, 2021-002.

**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.

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# Rutherfordton

A MINTED ORIGINAL

## TOWN OF RUTHERFORDTON, NORTH CAROLINA

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2022

#### Significant Deficiency

##### **Finding 2022-001**

**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 2022-002**

**Name of Contact Person:** Doug Barrick

**Corrective Action:** The Town agrees with this finding but will abide by the terms of the agreement if the contributors cannot be contacted.

**Proposed Completion Date:** Immediately.

**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2022**

**Significant Deficiency**

**Finding 2021-001**

**Status:** Repeated in the current year as Finding 2022-001.

**Material Weakness / Non-Compliance**

**Finding 2021-002**

**Status:** Repeated in the current year as Finding 2022-002.

**TOWN OF RUTHERFORDTON, NORTH CAROLINA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal/State Program Program Title</u>	<u>Assistance Listing Number</u>	<u>State/ Pass-Through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-Through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-Through to Subrecipients</u>
<b><u>Federal Assistance</u></b>					
<b><u>U.S. Department of Justice</u></b>					
Direct Program:					
Equitable Sharing Program	16.922		\$ 794	\$ -	\$ -
<b><u>Environmental Protection Agency</u></b>					
Passed through NC Dept of Environmental Quality Division of Water Resources Clean Water State Revolving Fund Cluster:					
Capitalization Grants for Clean Water State Revolving funds	66.458	CS370463-05	1,004,779	-	-
Total Clean Water State Revolving Fund Cluster			<u>1,004,779</u>	<u>-</u>	<u>-</u>
<b><u>U.S. Department of Treasury</u></b>					
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		248,437	-	-
Direct Program:					
Equitable Sharing	21.016		528	-	-
<b><u>U.S. Department of Homeland Security</u></b>					
Passed through NC Dept of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Diasters)					
	97.036		4,800	-	-
Total federal assistance			<u>\$ 1,259,338</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>State Assistance</u></b>					
<b><u>North Carolina Department of Transportation</u></b>					
Powell Bill	N/A	DOT-4		\$ 181,448	\$ -
Total state assistance				<u>\$ 181,448</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, 2022. 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, 2022 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, 2022 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	\$ 473,299

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