

TOWN OF RURAL HALL, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

TOWN OF RURAL HALL, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2022

MAYOR

TIMOTHY FLINCHUM

MAYOR PRO TEM

SUSAN H. GORDAN

TOWN COUNCIL

JANET M. CARITHERS

EDDIE HORN

TERRY M. BENNETT

TOWN OF RURAL HALL, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2022

<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION	
Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
1 Statement of Net Position	10
2 Statement of Activities.....	11
Fund Financial Statements:	
3 Balance Sheet - Governmental Funds.....	12
4 Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	13
4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities.....	14
5 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	15
Notes to the Financial Statements	16
Required Supplemental Financial Data:	
Schedule of the Proportionate Share of Net Pension Liability (Asset) Local Government Employees' Retirement System	33
Schedule of Contributions – Local Government Employees' Retirement System	34
Healthcare Benefits Plan – Schedule of Changes in Total OPEB Asset and Related Ratios.....	35
Healthcare Benefits Plan – Schedule of total OPEB liability as a percentage of covered employee payroll.....	36

TOWN OF RURAL HALL, NORTH CAROLINA
TABLE OF CONTENTS
June 30, 2022

<u>Exhibit</u>		<u>Page</u>
Individual Fund Statements and Schedules:		
	Major Governmental Fund	
	General Fund:	
A-1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	37
B-1	Cemetery Fund:	
	Balance Sheet – Non-Major Governmental Funds.....	40
B-2	Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds	41
B-3	Statement of Revenues, Expenditures, and Changes in Fund Balances Non-Major Governmental Funds – Budget and Actual	42
OTHER SCHEDULES		
C-1	Schedule of Ad Valorem Taxes Receivable	43
C-2	Analysis of Current Tax Levy.....	44



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rural Hall, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise of the Town of Rural Hall's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rural Hall as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Rural Hall 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.

Responsibilities of Management for the Audit of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 raises substantial doubt about Town of Rural Hall's ability to continue as a going concern for the 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 of 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 *Governmental Auditing Standards* will always detect material statement 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 *Governmental Auditing Standards* we

- Exercised professional judgement and maintained 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 responsible 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 Town of Rural Hall'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 Town of Rural Hall'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 Management's Discussion and Analysis on pages 4 through 9 and the Schedule of Proportionate Share of the Net Pension and OPEB Liabilities and the Schedule of Contributions on pages 33 through 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Rural Hall's basic financial statements. The individual fund budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary schedules, and other schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson Smith & Wike PLLC

Elon, North Carolina
April 26, 2023
(336) 380-4123

TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

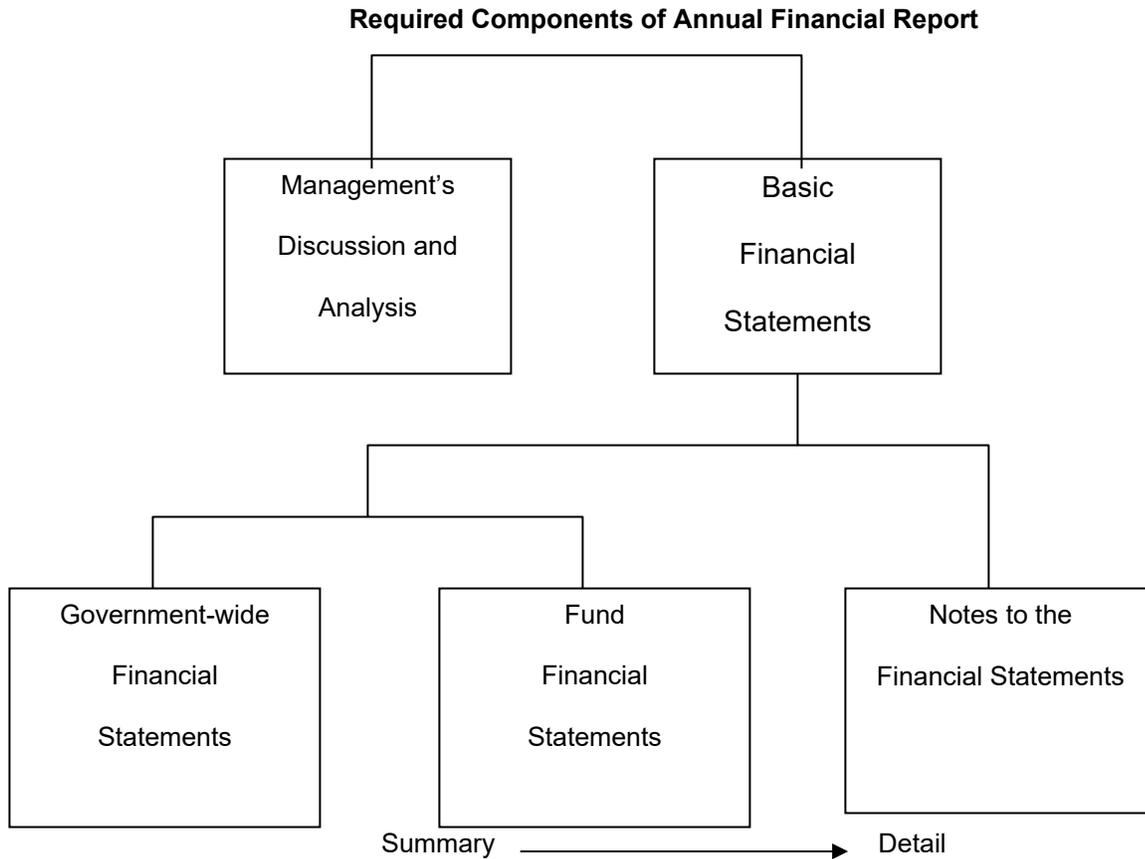
As management of the Town of Rural Hall, we offer readers of the Town of Rural Hall's financial statements this narrative overview and analysis of the financial activities of the Town of Rural Hall for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in 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 Rural Hall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,584,706 (*net position*).
- The government's total net position increased by \$422,519 primarily due to the increase in property tax revenue.
- As of the close of the current fiscal year, the Town of Rural Hall's general fund reported an ending fund balance of \$3,989,153, an increase of \$347,915 in fund balance. Approximately 84.4 percent of this total amount, or \$3,368,191 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,368,191, or 106.3 percent of the total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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

The government-wide statements consist of the governmental activities. The governmental activities include most of the Town's basic services such as general government, public safety, transportation, environmental protection, and debt service. Property taxes, sales and other taxes, and state and federal grant funds finance most of these activities.

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rural Hall, 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 Rural Hall fall under one category: governmental funds.

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

The Town of Rural Hall maintains three individual governmental funds, the General Fund, the Cemetery Fund, and the American Rescue Plan Fund.

The Town of Rural Hall 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.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 16-32 of this report.

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

The Town of Rural Hall's Net Position

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 4,809,931	\$ 4,027,470
Capital assets	4,434,323	4,488,725
Deferred outflow s of resources	<u>770,864</u>	<u>614,634</u>
Total assets and deferred outflow s of resources	<u>10,015,118</u>	<u>9,130,829</u>
Long-term liabilities outstanding	1,741,305	2,558,213
Other liabilities	747,091	339,498
Deferred inflow s of resources	<u>942,016</u>	<u>70,931</u>
Total liabilities and deferred inflow s of resources	<u>3,430,412</u>	<u>2,968,642</u>
Net position		
Net investment in capital assets	4,033,964	3,956,962
Restricted	473,143	424,328
Unrestricted	<u>2,077,599</u>	<u>1,780,897</u>
Total net position	<u>\$ 6,584,706</u>	<u>\$ 6,162,187</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rural Hall exceeded liabilities and deferred inflows by \$6,584,706 as of June 30, 2022. The Town's net position increased by \$422,519 for the fiscal year ended June 30, 2022. The smaller portions 31.6% and 7.1% reflect the Town's unrestricted net position and restricted net position, respectively. The largest portion of the Town of Rural Hall net position 61.3% reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) that was issued to acquire those items. The Town of Rural Hall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rural Hall's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The general fund is the chief operating fund of the Town of Rural Hall. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,368,191, while total fund balance equaled \$3,989,153. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 106.3 percent of total General Fund expenditures, while total fund balance represents 125.9 percent of that same amount.

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

The Town of Rural Hall's Changes in Net Position

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 284,095	\$ 217,563
Operating grants and contributions	843,126	740,921
General revenues:		
Property taxes	1,533,297	1,353,599
Grants, contributions and other taxes not restricted to specific programs	813,454	725,780
Other revenues	34,876	58,446
Total revenues	<u>3,508,848</u>	<u>3,096,309</u>
Expenses:		
General government	731,034	721,906
Public safety	1,286,072	1,331,951
Transportation	795,120	790,995
Environmental protection	-	7,194
Cultural and recreation	46,966	44,895
License plate agency	219,088	217,126
Cemetery maintenance	8,049	1,998
Total expenses	<u>3,086,329</u>	<u>3,116,065</u>
Increase (decrease) in net position	422,519	(19,756)
Net position July 1, as restated	<u>6,162,187</u>	<u>6,181,943</u>
Net position June 30	<u>\$ 6,584,706</u>	<u>\$ 6,162,187</u>

Governmental activities increased the Town's net position by \$422,519. The key elements of this increase include revenues increasing by approximately \$400,000 primarily due to increased property tax revenue, additional grant funds, and increased service revenue.

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

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

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. The amendments served to increase the budget to account for increased expectations of sales tax revenues. The General Fund budgeted expenditures increased approximately \$300,000 due to an increase in general government operations, \$100,000 of which was not spent.

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

Capital Asset and Debt Administration

Capital assets. The Town of Rural Hall's investment in capital assets for its governmental activities as of June 30, 2022, totals \$4,434,323 (net of accumulated depreciation). These assets include land, buildings, improvements, equipment, paving, vehicles, infrastructure and heavy vehicles and equipment. During the year, there were \$293,113 in capital additions in the Governmental activities.

	Governmental Activities	
	6/30/22	6/30/21
Land	\$ 1,017,924	\$ 853,279
Buildings	865,336	925,648
Improvements	250,087	277,658
Equipment	53,601	24,822
Paving	5,763	6,375
Vehicles	10,748	27,590
Infrastructure	1,145,182	1,137,647
Heavy vehicles and equipment	1,085,682	1,235,706
Total	<u>\$ 4,434,323</u>	<u>\$ 4,488,725</u>

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

Long-term Debt. As of June 30, 2022, the Town of Rural Hall had total debt outstanding in the amount of \$1,811,877. Of this \$400,359 is secured by vehicles owned by the Town.

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Maturities
Governmental activities:					
Installment purchase	\$ 531,763	\$ -	\$ 131,404	\$ 400,359	\$ 46,197
Pension liability	482,058	-	251,865	230,193	-
OPEB liability	1,562,736	-	432,217	1,130,519	-
Compensated absences	69,262	28,399	46,855	50,806	24,375
Total	<u>\$ 2,645,819</u>	<u>\$ 28,399</u>	<u>\$ 862,341</u>	<u>\$ 1,811,877</u>	<u>\$ 70,572</u>

Town of Rural Hall's Outstanding Debt. The Town of Rural Hall's total debt decreased by \$862,341 (32.6%) during the current fiscal year. The key factors in this decrease were a decrease of \$131,404 related to fire truck debt payments, a decrease of \$251,865 in the net pension liability for the Local Government Employees Retirement System (LGERS), and a decrease of \$432,217 in Other Post Employment Benefits Liability (OPEB).

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Rural Hall is approximately \$39,000,000. The Town has no authorized but un-issued bonds at June 30, 2022.

Economic Factors and Next Year's Budgets and Rates

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

- The town will continue to pursue any relevant grant funding, particularly those related to sidewalk, recreation, and transportation projects. The Town is seeking funding from the North Carolina General Assembly to combine with State funds allocated through Forsyth County for the design and construction of a new Fire Station.
- Consumer spending in Forsyth County is expected to increase, which would result in additional sales tax revenue.

Budget Highlights for the Fiscal Year Ending June 30, 2023

Governmental Activities: The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2023, the General Fund budget decreased by approximately 12.7% due to reducing the Town's allocation of fund balance and projected reduced interest income.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager, Town of Rural Hall, Post Office Box 549, Rural Hall, North Carolina 27045.

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2022

Exhibit 1

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 3,801,863
Taxes receivables (net)	12,567
Accounts receivable (net)	1,811
Due from other governments	243,767
Restricted cash and cash equivalents	749,923
Total current assets	<u>4,809,931</u>
Capital assets	
Land and construction in progress	1,017,924
Other capital assets, net of depreciation	3,416,399
Total capital assets	<u>4,434,323</u>
Total non-current assets	<u>4,434,323</u>
Total assets	<u>9,244,254</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	369,472
OPEB deferrals	401,392
Total deferred outflows of resources	<u>770,864</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	154,161
Customer deposits	2,103
Compensated absences	24,375
Installment loan	46,197
Unearned revenue	520,255
Total current liabilities	<u>747,091</u>
Long-term liabilities	
Compensated absences	26,431
Installment loan	354,162
Net pension liability	230,193
Total OPEB liability	1,130,519
Total noncurrent liabilities	<u>1,741,305</u>
Total liabilities	<u>2,488,396</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	331,617
OPEB deferrals	610,399
Total deferred inflows of resources	<u>942,016</u>
NET POSITION	
Net investment in capital assets	4,033,964
Restricted for:	
Stabilization by State Statute	245,578
Streets-Powell Bill	227,565
Unrestricted	2,077,599
Total net position	<u>\$ 6,584,706</u>

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

Page 10

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary government				
Governmental activities				
General government	\$ 731,034	\$ 3,600	\$ 52,156	\$ (675,278)
Public safety	1,286,072	1,280	692,055	(592,737)
Transportation	795,120	-	98,915	(696,205)
Cultural and recreation	46,966	13,582	-	(33,384)
License plate agency	219,088	251,633	-	32,545
Cemetery maintenance	8,049	14,000	-	5,951
Total governmental activities	<u>3,086,329</u>	<u>284,095</u>	<u>843,126</u>	<u>(1,959,108)</u>
Total primary government	<u>\$ 3,086,329</u>	<u>\$ 284,095</u>	<u>\$ 843,126</u>	<u>(1,959,108)</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				1,533,297
Unrestricted intergovernmental revenues and other taxes				813,454
Unrestricted investment earnings				2,747
Gain (loss) of sale of capital asset				(25,567)
Miscellaneous				57,696
Total general revenues and transfers				<u>2,381,627</u>
Change in net position				422,519
Net position, beginning				<u>6,159,975</u>
Restatement				2,212
Net position, beginning - as restated				<u>6,162,187</u>
Net position, ending				<u>\$ 6,584,706</u>

TOWN OF RURAL HALL, NORTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

Exhibit 3

	Major Funds			Total Primary Governmental
	General	Major Special Revenue Fund American Rescue Plan Fund	Non-major Fund	
ASSETS				
Cash and cash equivalents	\$ 3,670,158	\$ -	\$ 131,705	\$ 3,801,863
Restricted cash and cash equivalents	747,820	-	2,103	749,923
Receivables, net				
Taxes	12,567	-	-	12,567
Accounts	1,811	-	-	1,811
Due from other governments	243,737	-	30	243,767
Due from other funds	-	520,255	-	520,255
Total assets	<u>\$ 4,676,093</u>	<u>\$ 520,255</u>	<u>\$ 133,838</u>	<u>\$ 5,330,186</u>
LIABILITIES				
Liabilities				
Accounts payable and accrued liabilities	\$ 154,118	\$ -	\$ 43	\$ 154,161
Unearned revenues	-	520,255	-	520,255
Due to other funds	520,255	-	-	520,255
Liabilities payable from restricted assets				
Customer deposits	-	-	2,103	2,103
Total liabilities	<u>674,373</u>	<u>520,255</u>	<u>2,146</u>	<u>1,196,774</u>
DEFERRED INFLOWS OF RESOURCES				
Property tax receivable	<u>12,567</u>	<u>-</u>	<u>-</u>	<u>12,567</u>
FUND BALANCES				
Non-spendable				
Perpetual maintenance	-	-	131,662	131,662
Restricted				
Stabilization by State Statute	245,548	-	30	245,578
Streets - Powell Bill	227,565	-	-	227,565
Assigned				
Subsequent year's expenditures	147,849	-	-	147,849
Unassigned	<u>3,368,191</u>	<u>-</u>	<u>-</u>	<u>3,368,191</u>
Total fund balances	<u>3,989,153</u>	<u>-</u>	<u>131,692</u>	<u>4,120,845</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,676,093</u>	<u>\$ 520,255</u>	<u>\$ 133,838</u>	
Amounts reported for governmental activities in the statement of net position are different because				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				4,434,323
Deferred outflows of resources related to pensions				369,472
Deferred outflows of resources related to OPEB				401,392
Compensated absences not expected to be materially liquidated with expendable available resources				(50,806)
Deferred inflows of resources related to pensions				(331,617)
Deferred inflows of resources related to OPEB				(610,399)
Installment loans				(400,359)
Total pension liability				(230,193)
Total OPEB liability				(1,130,519)
Earned revenues considered deferred inflows in fund statements				<u>12,567</u>
Net position of governmental activities				<u>\$ 6,584,706</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit 4

	Major Funds			Total
	General	Major Special Revenue Fund American Rescue Plan Fund	Non-major Fund	
REVENUES				
Ad valorem taxes	\$ 1,529,337	\$ -	\$ -	\$ 1,529,337
Unrestricted intergovernmental	813,454	-	-	813,454
Restricted intergovernmental	843,126	-	-	843,126
Sales and services	270,095	-	14,000	284,095
Investment earnings	2,739	-	8	2,747
Other revenues	57,696	-	-	57,696
Total revenues	3,516,447	-	14,008	3,530,455
EXPENDITURES				
Current				
General government	878,973	-	-	878,973
Public safety	1,125,188	-	-	1,125,188
Transportation	760,023	-	-	760,023
Culture and recreation	39,524	-	-	39,524
License plate agency	210,193	-	-	210,193
Cemetery maintenance	-	-	8,049	8,049
Debt Service				
Principal	131,404	-	-	131,404
Interest and other charges	23,227	-	-	23,227
Total expenditures	3,168,532	-	8,049	3,176,581
Net change in fund balance	347,915	-	5,959	353,874
Fund balance, beginning, as restated	3,641,238	-	125,733	3,766,971
Fund balance, ending	\$ 3,989,153	\$ -	\$ 131,692	\$ 4,120,845

TOWN OF RURAL HALL, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

Exhibit 4 (cont)

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

Net changes in fund balances - total governmental funds	\$ 353,874
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal</p>	
Capital outlay	293,113
Depreciation	(321,948)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Change in deferred revenue for tax revenues	3,960
<p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities</p>	
	117,978
<p>Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities</p>	
	20,817
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental fund report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items</p>	
	131,404
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>	
Compensated absences	18,456
Pension expense	(115,383)
OPEB Expense	(54,185)
Loss on disposal of assets	(25,567)
	<u>(25,567)</u>
Total change in net position of governmental activities	<u>\$ 422,519</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2022

Exhibit 5

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,382,919	\$ 1,382,919	\$ 1,529,337	\$ 146,418
Unrestricted intergovernmental	766,950	766,950	813,454	46,504
Restricted intergovernmental	969,859	969,859	843,126	(126,733)
Sales and services	228,500	228,500	270,095	41,595
Investment earnings	1,800	1,800	2,739	939
Other revenues	39,640	39,640	57,696	18,056
Total revenues	3,389,668	3,389,668	3,516,447	126,779
EXPENDITURES				
Current				
General government	679,900	990,150	878,973	111,177
Public safety	1,307,425	1,307,425	1,125,188	182,237
Transportation	1,248,210	1,248,210	760,023	488,187
Culture and recreation	40,050	40,050	39,524	526
License plate agency	240,400	240,400	210,193	30,207
Debt service				
Principal	131,404	131,404	131,404	-
Interest and other charges	24,742	24,742	23,227	1,515
Contingency	2,500	2,500	-	2,500
Total expenditures	3,674,631	3,984,881	3,168,532	816,349
Revenues over (under) expenditures	(284,963)	(595,213)	347,915	943,128
Other financing sources (uses):				
Transfers to other funds	(6,490)	(6,490)	-	6,490
Revenues over (under) expenditures and other uses	(291,453)	(601,703)	347,915	949,618
Appropriated fund balances	291,453	601,703	-	601,703
Revenue and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	347,915	\$ 347,915
Fund balance, beginning, as restated			3,641,238	
Fund balance, ending			\$ 3,989,153	

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Rural Hall, North Carolina, is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, the Town would include any component unit for which it is financially accountable. For the year ended June 30, 2022, no component units were included in the financial statements.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town does not have any business-type activities.

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as non-major funds. The Town has one nonmajor governmental fund.

The Town reports the following major governmental funds:

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

American Rescue Plan Fund. The American Rescue Plan Fund is a special revenue fund used to account for the financial resources to be used for the provision of general government services related to the American Rescue Plan Act (ARPA) grant funds.

The Town reports the following non-major governmental fund:

Cemetery Fund. This fund is used to account for the perpetual care of the municipal cemetery.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

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

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

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

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

D. Budgetary Data

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

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

Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town board to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high-quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cost, which is the NCCMT's share price. The NCCMT- Term Portfolio's securities are valued at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

Restricted Assets

Powell Bill funds are classified as restricted because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4. The Town had cash and cash equivalents restricted for Powell Bill of \$227,565. American Recovery Act grant funds are classified as restricted because they can only be expended on grant approved expenditures. The Town had cash and cash equivalents restricted for ARPA of \$520,255. Customer deposits held by the Town before any services are provided are restricted to the service to which the deposit was collected. The Town had cash and cash equivalents of \$2,103 restricted for customer deposits.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Allowance for Uncollectible Accounts

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000 for all assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The Town has elected not to capitalize general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-30
Machinery and equipment	5-20
Vehicles	5-6
Infrastructure	20-30
Computer equipment and software	3-5

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 position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has pension deferrals related to LGERS and OPEB deferred outflows that meet this criterion. 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 position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - property taxes receivable, OPEB deferrals, and pension deferrals.

Long-Term Obligations

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

Compensated Absences

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

Net position/Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Perpetual maintenance – Cemetery resources that are required to be retained in perpetuity for maintenance of Rural Hall Memorial Park.

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 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.

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.

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

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

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

F. Pensions

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

G. Other

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2022, the administrative expenditures made in the Town's General Fund exceeded the authorized appropriations made by the council by \$384,377 and public buildings exceeded the authorized appropriations made by the council by \$5,665. Additionally, expenditures were identified that did not contain the pre-audit certificate.

Dual Signatures

For the fiscal year ended June 30, 2022, the Town did not have dual signatures on all checks issued.

Timeliness of Audit

For the fiscal year ended June 30, 2022, the audit was not completed and submitted to the Local Government Commission timely.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2022, the Town's deposits had a carrying amount of \$3,086,429 and a bank balance of \$3,118,613. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town had petty cash of \$600.

Investments

At June 30, 2022, the Town had \$1,332,925 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service as June 30, 2022. The Town has no policy regarding credit risk, interest rate risk or custodial credit risk.

At June 30, 2022, the Town invested in two Certificate of Deposits with First National Bank. The total invested was \$131,817 with an interest rate of 0.02%. The total investment income for the year ended June 30, 2022 is \$15.

Accounts Receivable

	Due from (to) other funds (Internal Balances)	Due from other governments	Other
Governmental activities:			
General Fund	\$ (520,255)	\$ 243,737	\$ 14,378
Other governmental activities	520,255	30	-
Total	<u>\$ -</u>	<u>\$ 243,767</u>	<u>\$ 14,378</u>

Due from other governments consists of the following:

Governmental activities:		
General Fund	\$ 189,564	Local Option Sales Tax
General Fund	16,375	Sales Tax Refund
General Fund	25,633	Stokes County - Fire Tax
General Fund	12,195	Forsyth County - Fire Tax
Total	<u>\$ 243,767</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Receivables - Allowance for Uncollectible Accounts

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

General Fund - Taxes Receivable \$ 4,189

Capital Assets

Primary Government

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

	Beginning Balances, as restated	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 853,279	\$ 164,645	\$ -	\$ 1,017,924
Capital assets being depreciated:				
Buildings	2,179,783	-	-	2,179,783
Improvements	1,275,394	18,250	49,954	1,243,690
Equipment	459,198	34,732	-	493,930
Computer equipment	8,284	-	-	8,284
Computer software	60,410	-	30,410	30,000
Paving	44,072	-	-	44,072
Vehicles	231,155	-	-	231,155
Infrastructure	1,824,570	75,486	-	1,900,056
Heavy vehicles and equipment	<u>3,266,762</u>	<u>-</u>	<u>-</u>	<u>3,266,762</u>
Total capital assets being depreciated	<u>9,349,628</u>	<u>128,468</u>	<u>80,364</u>	<u>9,397,732</u>
Less accumulated depreciation for:				
Buildings	1,254,135	60,312	-	1,314,447
Improvements	997,736	20,254	24,387	993,603
Equipment	434,376	5,953	-	440,329
Computer equipment	8,284	-	-	8,284
Computer software	60,410	-	30,410	30,000
Paving	37,697	612	-	38,309
Vehicles	203,565	16,842	-	220,407
Infrastructure	686,923	67,951	-	754,874
Heavy vehicles and equipment	<u>2,031,056</u>	<u>150,024</u>	<u>-</u>	<u>2,181,080</u>
Total accumulated depreciation	<u>5,714,182</u>	<u>321,948</u>	<u>54,797</u>	<u>5,981,333</u>
Total capital assets being depreciated, net	<u>3,635,446</u>			<u>3,416,399</u>
Governmental activity capital assets, net	<u>\$ 4,488,725</u>			<u>\$ 4,434,323</u>

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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

General government	\$ 48,728
Public safety	132,484
Transportation	107,750
Culture and recreation	25,692
License Plate Agency	7,294
Total	<u>\$ 321,948</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rural Hall 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 Rural Hall's contractually required contribution rate for the year ended June 30, 2022, was 11.35% of compensation for law enforcement officers and 12.10% 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 Rural Hall was \$117,978 for the year ended June 30, 2022.

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, 2022, the Town reported a liability of \$230,193 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 0.01501%, which was an increase of 0.00152% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of (\$115,383). At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 73,233	\$ -
Changes of assumptions	144,620	-
Net difference between projected and actual earnings on pension plan investments	-	328,876
Changes in proportion and differences between Town contributions and proportionate share of contributions	33,641	2,741
Town contributions subsequent to the measurement date	117,978	-
Total	<u>\$ 369,472</u>	<u>\$ 331,617</u>

\$117,978 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Year ended June 30:

2023	\$ 32,786
2024	2,196
2025	(14,467)
2026	(100,638)
2027	<u>-</u>
	<u>\$ (80,123)</u>

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 8.1 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the 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%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.50%. All rates of return and inflation are annualized.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE 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 to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 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:

	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 893,589	\$ 230,193	\$ (315,744)

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.

b. Other Post-employment Benefits

1. Health Benefit Plan

Plan Description. Under the terms of a Town resolution, the Town provides for a health care benefit plan for those who leave service with thirty years of qualified service with the state retirement system with the Town hired before October 8, 2018. The Town pays for the full cost of these benefits through private insurers. The Town Council may amend the plan.

At June 30, 2020, membership in the plan consisted of:

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>9</u>
Total	<u>11</u>

Total OPEB Liability

The Town's Total OPEB liability of \$1,130,519 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Discount rate	2.16 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Inflation	2.50 percent
Healthcare cost trend rates	7.0 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2031

The discount rate used the TOL was based on the June average of the Bond Buyer General Obligation 20 Year Municipal Bond Index published weekly by The Bond Buyer.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Schedule of Changes in Total OPEB Liability

Beginning balance	\$ 1,562,736
Service Cost	59,336
Interest on the total OPEB liability	35,619
Differences between expected and actual experience in the measurement of the total OPEB liability	(662,937)
Changes of assumptions or other inputs	156,582
Benefit payments	(20,817)
Ending balance of the total OPEB liability	<u>\$ 1,130,519</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for experience and generational mortality improvements using Scale MP-2049.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study from January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$ 1,268,281</u>	<u>\$ 1,130,519</u>	<u>\$ 1,009,344</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$54,185. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 105,278	\$ 566,842
Changes of assumptions	296,114	43,557
Total	<u>\$ 401,392</u>	<u>\$ 610,399</u>

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Year ended June 30:	
2023	\$ (40,770)
2024	(40,770)
2025	(39,889)
2026	(32,123)
2027	(40,579)
Thereafter	<u>(14,876)</u>
	<u>\$ 209,007</u>

2. Other Employment Benefit

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

3. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town obtains insurance through private carriers. The Town obtains general liability and auto liability coverage of \$2 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

4. Claims, Judgments and Contingent Liabilities

At June 30, 2022, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town's Attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

A State of North Carolina Office of State Auditor investigative report completed in February 2023 identified several instances of the Town failing to timely produce public records and adhere to the open meetings law. While material impacts have not been identified, the Town could be exposed to claims or incur significant time or expenditures in relation to producing requested public records, and rectifying open meeting violations.

5. Long-Term Obligations

Installment Purchases

In September 2013, the Town entered into an installment purchase agreement to finance the purchase of a 2013 pumper fire truck. The financing contract requires annual payments of \$45,817, including interest at 2.28%. The principal balance at June 30, 2022 was \$44,797.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

Annual debt service requirements to maturity for the loan agreement are as follows:

Year ending June 30		Principal		Interest
2024	\$	44,797	\$	1,021

In January 2021, the Town entered into an installment purchase agreement to finance the purchase of a 2021 pumper fire truck. The financing contract requires annual payments of \$57,397, including interest of 3.15%. The principal balance at June 30, 2022 was \$355,562.

Annual debt service requirements to maturity for the loan agreement are as follows:

Year ending June 30		Principal		Interest
2023	\$	46,197	\$	11,200
2024		47,652		9,745
2025		49,130		8,267
2026		50,701		6,696
2027		52,298		5,099
2028-2029		109,584		5,209
	\$	355,562	\$	46,216

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Current Maturities
Governmental activities:					
Installment purchase	\$ 531,763	\$ -	\$ 131,404	\$ 400,359	\$ 46,197
Pension liability	482,058	-	251,865	230,193	-
OPEB liability	1,562,736	-	432,217	1,130,519	-
Compensated absences	69,262	28,399	46,855	50,806	24,375
Total	\$ 2,645,819	\$ 28,399	\$ 862,341	\$ 1,811,877	\$ 70,572

At June 30, 2022, the Town of Rural Hall had a legal debt margin of approximately \$39,000,000.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

6. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Pension deferrals	\$ 369,472	\$ 331,617
OPEB deferrals	401,392	610,399
Total	<u>\$ 770,864</u>	<u>\$ 942,016</u>
 Balance Sheet – Governmental Funds		
Property tax receivable (General Fund)	<u>\$ -</u>	<u>\$ 12,567</u>

NOTE 4 - INTERFUND ACTIVITIES

As of June 30, 2022, there was \$520,255 due to the American Rescue Plan Fund from the General fund for cash received that should be allocated under the American Rescue Plan Fund. This balance is expected to be repaid by June 30, 2023.

NOTE 5 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 6 – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2022, the Town reported certain prior period adjustments for the General Fund and governmental activities. Certain current assets were determined understated as of June 30, 2021 by \$45,628 in the general fund. The correction of this error increased fund balance by \$45,628. Certain capital assets in the amount of \$43,416 in governmental activities were determined overstated as of June 30, 2021. The correction of this error decreased net position by \$43,416.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 7 – FUND BALANCE

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

Total fund balance - General Fund	\$ 3,989,153
Less:	
Stabilization by State Statute - restricted	245,548
Streets - Powell Bill - restricted	227,565
Subsequent year's expenditures	<u>147,849</u>
Remaining unassigned fund balance	<u>\$ 3,368,191</u>

**TOWN OF RURAL HALL, NORTH CAROLINA
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST NINE FISCAL YEARS***

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rural Hall's proportion of the net pension liability (asset) (%)	0.01501%	0.01349%	0.01381%	0.01393%	0.01269%	0.01127%	0.01347%	0.01382%	0.01350%
Rural Hall's proportion of the net pension liability (asset) (\$)	\$ 230,193	\$ 482,058	\$ 377,140	\$ 330,467	\$ 193,868	\$ 239,188	\$ 60,453	\$ (81,503)	\$ 162,727
Rural Hall's covered payroll	\$ 1,169,579	\$ 953,983	\$ 952,240	\$ 909,300	\$ 843,653	\$ 804,622	\$ 791,726	\$ 776,475	\$ 728,594
Rural Hall's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	19.68%	50.53%	39.61%	36.34%	22.98%	29.73%	7.64%	(10.50%)	22.33%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	91.63%	91.68%	94.18%	91.47%	98.09%	122.84%	94.35%

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

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

**TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF CONTRIBUTIONS-LOCAL GOVERNMENT EMPLOYEE RETIREMENT SYSTEM
LAST NINE FISCAL YEARS**

Local Government Employees' Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 117,978	\$ 119,297	\$ 85,802	\$ 74,465	\$ 69,016	\$ 61,840	\$ 53,668	\$ 55,975	\$ 54,897
Contributions in relation to the contractually required contribution	<u>117,978</u>	<u>119,297</u>	<u>85,802</u>	<u>74,465</u>	<u>69,016</u>	<u>61,840</u>	<u>53,668</u>	<u>55,975</u>	<u>54,897</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rural Hall's covered payroll	\$ 1,039,457	\$ 1,169,579	\$ 953,983	\$ 952,240	\$ 909,300	\$ 843,663	\$ 804,622	\$ 791,725	\$ 776,475
Contributions as a percentage of covered payroll	11.35%	10.20%	8.99%	7.82%	7.59%	7.33%	6.67%	7.07%	7.07%

TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,562,736	\$ 1,321,001	\$ 1,061,460	\$ 1,037,730	\$ 1,042,802
Service cost	59,336	42,693	30,237	40,723	44,292
Interest on the total OPEB liability	35,619	47,037	40,888	36,719	31,137
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience					
in the measurement of the total OPEB liability	(662,937)	(9,639)	173,483	(2,206)	2,995
Changes of assumptions or other inputs	156,582	200,729	26,959	(38,788)	(66,698)
Benefits payments	(20,817)	(39,085)	(12,026)	(12,718)	(16,798)
Other changes	-	-	-	-	-
Ending balance of the total OPEB liability	<u>\$ 1,130,519</u>	<u>\$ 1,562,736</u>	<u>\$ 1,321,001</u>	<u>\$ 1,061,460</u>	<u>\$ 1,037,730</u>

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

TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL
OTHER POST EMPLOYMENT BENEFITS (OPEB)
LAST FIVE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 1,130,519	\$ 1,562,736	\$ 1,321,001	\$ 1,061,460	\$ 1,037,730
Covered-employee Payroll	838,265	838,265	838,265	807,148	807,148
Total OPEB liability as a percentage of covered-employee payroll	134.86%	186.43%	157.59%	131.51%	128.57%

Notes to the schedules:

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes			
Current year		\$ 1,522,024	
Prior years		4,167	
Penalties and interest		3,146	
Total	<u>\$ 1,382,919</u>	<u>1,529,337</u>	<u>\$ 146,418</u>
Unrestricted intergovernmental revenues			
Local option sales tax		471,062	
Telecommunications tax		9,082	
Utility franchise tax		182,748	
Piped natural gas tax		17,483	
Video franchise fee		21,340	
Beer and wine tax		13,291	
City hold harmless		98,448	
Total	<u>766,950</u>	<u>813,454</u>	<u>46,504</u>
Restricted intergovernmental revenue			
Powell Bill allocation		98,915	
Forsyth County Fire Department		591,012	
Stokes County Fire Department		101,043	
Occupancy tax		49,625	
Solid waste disposal tax		2,531	
Total	<u>969,859</u>	<u>843,126</u>	<u>(126,733)</u>
Sales and service			
License plate agency fees		251,633	
Recreation department fees		13,582	
Fire permits/inspections		1,280	
Lease revenue		3,600	
Total	<u>228,500</u>	<u>270,095</u>	<u>41,595</u>
Investment earnings	<u>1,800</u>	<u>2,739</u>	<u>939</u>
Other revenues			
Miscellaneous	<u>39,640</u>	<u>57,696</u>	<u>18,056</u>
Total revenues	<u>3,389,668</u>	<u>3,516,447</u>	<u>126,779</u>

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2022

Exhibit A-1
Page 2 of 3

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Governing body			
Salaries and employee benefits		\$ 15,077	
Operating expenditures		<u>160,953</u>	
Total	<u>\$ 675,800</u>	<u>176,030</u>	<u>\$ 499,770</u>
Administration			
Salaries and employee benefits		261,305	
Operating expenditures		268,677	
Capital outlay		<u>164,645</u>	
Total	<u>310,250</u>	<u>694,627</u>	<u>(384,377)</u>
Elections			
Operating expenditures	<u>4,100</u>	<u>2,651</u>	<u>1,449</u>
Public buildings			
Operating expenditures	<u>-</u>	<u>5,665</u>	<u>(5,665)</u>
Total general government	<u>990,150</u>	<u>878,973</u>	<u>111,177</u>
Public safety			
Sheriff			
Operating expenditures	<u>217,980</u>	<u>212,456</u>	<u>5,524</u>
Fire			
Salaries and employees benefits		496,195	
Operating expenditures		<u>416,537</u>	
Total	<u>1,089,445</u>	<u>912,732</u>	<u>176,713</u>
Total public safety	<u>1,307,425</u>	<u>1,125,188</u>	<u>182,237</u>
Transportation			
Salaries and employee benefits		272,729	
Operating expenditures		259,552	
Maintenance		62,481	
Capital outlay		112,161	
Powell Bill		<u>53,100</u>	
Total transportation	<u>1,248,210</u>	<u>760,023</u>	<u>488,187</u>

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2022

Exhibit A-1
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and Recreation			
Contracted services	\$ 40,050	\$ 39,524	\$ 526
License Plate Agency			
Salaries and employee benefits		149,585	
Operating expenditures		<u>60,608</u>	
Total license plate agency	<u>240,400</u>	<u>210,193</u>	<u>30,207</u>
Debt Service			
Principal		131,404	
Interest		<u>23,227</u>	
Total debt service	<u>156,146</u>	<u>154,631</u>	<u>1,515</u>
Contingency	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenditures	<u>3,984,881</u>	<u>3,168,532</u>	<u>816,349</u>
Revenues over (under) expenditures	(595,213)	347,915	943,128
Other Financing Sources (uses)			
Transfers (to) from other funds	<u>(6,490)</u>	<u>-</u>	<u>6,490</u>
Revenues over (under) expenditures and other sources	(601,703)	347,915	949,618
Appropriated fund balance	<u>601,703</u>	<u>-</u>	<u>(601,703)</u>
Revenue and appropriated fund balance over (under) expenditures and other uses	<u>\$ -</u>	347,915	<u>\$ 347,915</u>
Fund balance, beginning, as restated		<u>3,641,238</u>	
Fund balance, ending		<u>\$ 3,989,153</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit B-1

	<u>Cemetery Fund</u>
ASSETS	
Cash and cash equivalents	\$ 131,705
Restricted cash	2,103
Due from other governments	<u>30</u>
 Total assets	 <u>\$ 133,838</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 43
Customer deposits	<u>2,103</u>
 Total liabilities	 <u>2,146</u>
 Fund balance	
Non spendable	
Perpetual maintenance	131,662
Restricted	
Stabilization by state statute	<u>30</u>
 Total fund balance	 <u>131,692</u>
 Total liabilities and fund balance	 <u>\$ 133,838</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit B-2

	<u>Cemetery Fund</u>
Revenues	
Sale of plots	\$ 14,000
Investment earnings	<u>8</u>
Total revenues	<u>14,008</u>
Expenditures	
Cemetery maintenance	<u>8,049</u>
Net change in fund balance	5,959
Fund balance, beginning	<u>125,733</u>
Fund balance, ending	<u><u>\$ 131,692</u></u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022

Exhibit B-3

	<u>Cemetery Fund</u>		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Sale of plots	\$ 5,000	\$ 14,000	\$ 9,000
Investment earnings	<u>10</u>	<u>8</u>	<u>(2)</u>
Total revenues	<u>5,010</u>	<u>14,008</u>	<u>8,998</u>
Expenditures			
Cemetery maintenance	<u>11,500</u>	<u>8,049</u>	<u>3,451</u>
Revenues over expenditures	<u>(6,490)</u>	<u>5,959</u>	<u>12,449</u>
Other financing sources (uses):			
Transfers from other funds	<u>6,490</u>	<u>-</u>	<u>6,490</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	5,959	<u>\$ 5,959</u>
Fund balance, beginning		<u>125,733</u>	
Fund balance, ending		<u>\$ 131,692</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2022

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021-2022	\$ -	\$ 1,531,521	\$ 1,522,024	\$ 9,497
2020-2021	5,615	-	2,841	2,774
2019-2020	2,159	-	514	1,645
2018-2019	830	-	84	746
2017-2018	536	-	5	531
2016-2017	532	-	102	430
2015-2016	500	-	177	323
2014-2015	421	-	172	249
2013-2014	400	-	161	239
2012-2013	482	-	159	323
2011-2012	293	-	293	-
	<u>\$ 11,768</u>	<u>\$ 1,531,521</u>	<u>\$ 1,526,532</u>	16,757
Less: Allowance for uncollectible accounts: Ad valorem taxes receivable				<u>4,189</u>
Ad valorem taxes receivable - net				<u>\$ 12,568</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 1,526,191
Releases and other adjustments				48
Taxes written off				<u>293</u>
Total collections and credits				<u>\$ 1,526,532</u>

TOWN OF RURAL HALL, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Year Ended June 30, 2022

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxes at current year's rate	\$ 494,614,194	\$0.31	\$ 1,533,304	\$ 1,439,879	\$ 93,425
Discoveries	736,129	\$0.31	2,282	2,282	-
Releases	(1,311,290)	\$0.31	(4,065)	(4,065)	-
Total	<u>\$ 494,039,033</u>		<u>\$ 1,531,521</u>	<u>\$ 1,438,096</u>	<u>\$ 93,425</u>
Total property valuation	<u>\$ 494,039,033</u>				
Net levy			\$ 1,531,521	\$ 1,438,096	\$ 93,425
Uncollected taxes at June 30, 2022			<u>9,497</u>	<u>9,497</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,522,024</u>	<u>\$ 1,428,599</u>	<u>\$ 93,425</u>
Current levy collection percentage			<u>99.38%</u>	<u>99.34%</u>	<u>100.00%</u>