

***TOWN OF VALDESE***  
***VALDESE, NORTH CAROLINA***

Financial Statements, Supplemental Schedules,  
Independent Auditors' Report, and Compliance Reports  
For the Year Ended June 30, 2021

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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## TOWN OF VALDESE, NORTH CAROLINA

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### Town Officials June 30, 2021

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#### Mayor

John F. "Chip" Black

#### Town Council Members

Susan Stevenson

Keith Ogle

Frances Hildebran

J. Andrew "Andy" Thompson

Roy Sweezy

#### Other Town Officials

Seth Eckard

Town Manager

Bo Weichel

Finance Director

Roy Sweezy

Town Treasurer

Susan Stevenson

Mayor Pro Tem

Kimberly Cline

Tax Collector

Marc Mitchell, P.A.

Town Attorney

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## TOWN OF VALDESE, NORTH CAROLINA

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## **Financial Section**

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**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report**

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

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

## Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Valdese, North Carolina, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Other Postemployment Benefits Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, and the Law Enforcement Officers' Special Separation Allowance Schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 4-11 and 58-62, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Valdese, North Carolina's basic financial statements. The combining and individual fund financial statements, the budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Audit Implementation Act, and is also not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report, dated November 19, 2021, on our consideration of the Town of Valdese, North Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Valdese, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Valdese, North Carolina's internal control over financial reporting and compliance.

*Lowenstamm, Clark & Co., L.L.P.*

Morganton, North Carolina  
November 19, 2021

## **Management's Discussion and Analysis**

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

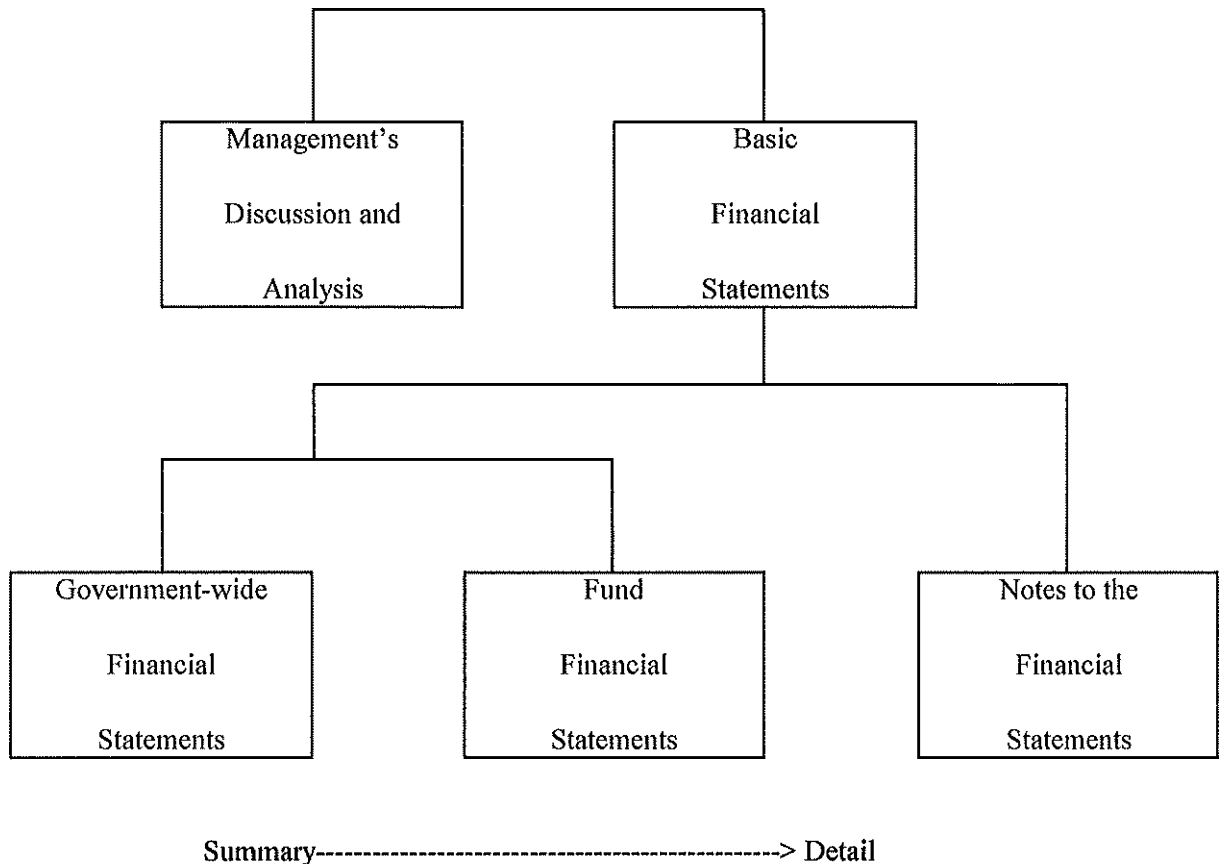
### **Financial Highlights**

- The assets of the Town of Valdese exceeded its liabilities at the close of the fiscal year by \$31,618,289 (net position).
- The government's total net position increased by \$2,260,242.
- As of the close of the current fiscal year, the Town of Valdese's governmental funds reported combined ending fund balances of \$7,468,298, with a net increase of \$579,445, in fund balance. Approximately 42.42 percent of this total amount, or \$3,168,621, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,299,677, or 91.69 percent of total General Fund expenditures for the fiscal year.

### **Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**  
**Figure 1**



### **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 10) 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 four parts to the Fund Financial Statements: 1) the Governmental Funds Statements; 2) the Budgetary Comparison Statements; and 3) the Proprietary Fund Statements.

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

## **Government-Wide Financial Statements**

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Valdese. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members, and because the Board is required to distribute its profits to the Town.

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

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Valdese, like all other governmental entities in North Carolina, uses fund accounting to ensure, and to 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 Valdese can be divided into two categories: governmental funds and proprietary funds.

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

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



**Proprietary Funds** - The Town of Valdese has one proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Valdese uses enterprise funds to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**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 begin on page 23 of this report.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Valdese's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 59 of this report.

**Interdependence with Other Entities** - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Government-Wide Financial Analysis

The Town of Valdese's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$7,720,045	\$7,134,050	\$ 2,237,821	\$ 1,714,172	\$ 9,957,866	\$ 8,848,222
Capital assets	6,375,734	6,370,356	25,861,151	23,291,034	32,236,885	29,661,390
Deferred outflows of resources	<u>942,643</u>	<u>546,541</u>	<u>303,542</u>	<u>222,850</u>	<u>1,246,185</u>	<u>769,391</u>
Total assets and deferred outflows of resources	<u>15,038,422</u>	<u>14,050,947</u>	<u>28,402,514</u>	<u>25,228,056</u>	<u>43,440,936</u>	<u>39,279,002</u>
Long-term liabilities outstanding	5,653,424	5,063,883	5,806,585	4,476,926	11,460,009	9,540,809
Other liabilities	69,981	47,192	85,199	80,926	155,180	128,118
Deferred inflows of resources	<u>175,348</u>	<u>212,749</u>	<u>32,109</u>	<u>39,282</u>	<u>207,457</u>	<u>252,031</u>
Total liabilities	<u>5,898,753</u>	<u>5,323,824</u>	<u>5,923,893</u>	<u>4,597,136</u>	<u>11,822,646</u>	<u>9,920,960</u>
Net position:						
Net investment in capital assets	3,434,796	3,272,186	20,799,715	19,365,128	24,234,484	22,637,314
Restricted	835,984	858,321	-	-	835,984	858,321
Unrestricted	<u>4,868,916</u>	<u>4,596,616</u>	<u>1,678,904</u>	<u>1,265,793</u>	<u>6,547,820</u>	<u>5,862,409</u>
Total net position	<u>\$9,139,669</u>	<u>\$8,727,123</u>	<u>\$22,478,619</u>	<u>\$20,630,921</u>	<u>\$31,618,288</u>	<u>\$29,358,044</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Valdese exceeded liabilities by \$31,618,288 as of June 30, 2021. The Town's net position increased by \$2,260,244 for the fiscal year ended June 30, 2021. However, the largest portion, 76.64%, reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Valdese uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Valdese'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. An additional portion of the Town of Valdese's net position \$835,984 (2.64%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$6,547,820 is unrestricted.

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

- Continued, concerted effort to control cost and manage expenditures responsibly.
- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.60%.
- Sustained effort to stabilize property tax revenues with both new residential and non-residential development.
- Continued acquisition of grant funding for major projects.
- Annual review and re-prioritizing of 10 year capital improvement needs.
- Adherence to the adopted budget.

The Town of Valdese's Changes in Net Position						
Figure 3						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 548,853	\$ 647,250	\$ 5,130,346	\$ 4,947,109	\$ 5,679,199	\$ 5,594,359
Operating grants and contributions	220,501	362,864	-	-	220,501	362,864
Capital grants and contributions	331,523	8,261	2,049,398	201,624	2,380,921	209,885
General revenues:						
Property taxes	2,297,073	2,284,172	-	-	2,297,073	2,284,172
Other taxes	1,856,924	1,733,703	-	-	1,856,924	1,733,703
Other	<u>337,359</u>	<u>169,066</u>	<u>191,315</u>	<u>(107,285)</u>	<u>528,674</u>	<u>61,781</u>
Total revenues	<u>5,592,233</u>	<u>5,205,316</u>	<u>7,371,059</u>	<u>5,041,448</u>	<u>12,963,292</u>	<u>10,246,764</u>
Expenses:						
General government	789,144	939,195	-	-	789,144	939,195
Public safety	2,205,109	2,066,404	-	-	2,205,109	2,066,404
Transportation	418,848	419,355	-	-	418,848	419,355
Environmental protection	335,475	323,580	-	-	335,475	323,580
Economic and physical development	593,682	108,411	-	-	593,682	108,411
Culture and recreation	955,395	1,148,134	-	-	955,391	1,148,134
Interest on long-term debt	103,038	107,221	-	-	103,038	107,221
Water and sewer	-	-	<u>5,302,359</u>	<u>5,208,835</u>	<u>5,302,359</u>	<u>5,208,835</u>
Total expenses	<u>5,400,687</u>	<u>5,112,300</u>	<u>5,302,354</u>	<u>5,208,835</u>	<u>10,703,046</u>	<u>10,321,135</u>
Increase (decrease) in net position before transfer	191,546	93,016	2,068,700	(167,387)	2,260,246	(74,368)
Transfers	<u>221,000</u>	<u>126,935</u>	<u>(221,000)</u>	<u>(126,935)</u>	-	-
Increase (decrease) in net position	412,546	219,952	1,847,700	(294,320)	2,260,246	(74,368)
Net position - July 1	<u>8,727,123</u>	<u>8,507,171</u>	<u>20,630,921</u>	<u>20,925,241</u>	<u>29,358,044</u>	<u>29,432,411</u>
Net position - June 30	<u>\$9,139,669</u>	<u>\$8,727,123</u>	<u>\$22,478,620</u>	<u>\$20,630,921</u>	<u>\$31,618,289</u>	<u>\$29,358,044</u>

**Governmental Activities** - Governmental activities increased the Town's net position by \$412,546. Key elements of this increase are anticipated and unanticipated events as follows:

- Modest growth in tax revenues.
- Revenues higher than anticipated.
- Expenditures lower than anticipated.

**Business-type Activities** - Business-type activities increased the Town of Valdese's net position by \$1,847,699. Key elements of this increase are as follows:

- Continuation of a Capital Improvement Plan and utility system rate model.
- Increase in the amount of grants received.
- Planned major expense deferred.

### **Financial Analysis of the Town's Funds**

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

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

The General Fund is the chief operating fund of the Town of Valdese. At the end of the current fiscal year, available fund balance of the General Fund was \$4,299,677, while the total fund balance reached \$5,286,477. The Town currently has an available fund balance of 91.69 percent of General Fund expenditures, while the total fund balance represents 112.74 percent of that same amount.

At June 30, 2021, the governmental funds of the Town of Valdese reported a combined fund balance of \$7,468,298, a 8.41 percent increase from last year. Included in this change in fund balance are increases in the fund balance in the General Fund and a decrease in the fund balances of the Other Governmental Funds.

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

**Proprietary Funds** - The Town of Valdese's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$1,678,904. The total change in net position was an increase of \$1,847,699. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Valdese's business-type activities.

## Capital Assets and Debt Administration

**Capital Assets** - The Town of Valdese's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$32,236,885 (net of accumulated depreciation). These assets include buildings, land, equipment, plant and distribution systems, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Replacement of expired IT equipment, including servers.
- Street paving project.
- Teachers' Cottage repairs.
- New Fitness Center equipment.
- Community Center surveillance security system.

**The Town of Valdese's Capital Assets  
(Net of Depreciation)**

**Figure 4**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$1,838,461	\$1,850,917	\$ 316,070	\$ 322,980	\$ 2,154,531	\$ 2,173,897
Buildings	3,489,652	3,199,925	-	-	3,489,652	3,199,925
Plant and distribution systems	-	-	21,741,725	19,533,110	21,741,725	19,533,110
Equipment	306,140	366,640	334,577	346,942	640,717	713,582
Vehicles and motorized equipment	741,481	952,875	71,940	96,186	813,421	1,049,061
Construction in progress	-	-	3,396,839	2,991,816	3,396,839	2,991,816
<b>Total</b>	<b><u>\$6,375,734</u></b>	<b><u>\$6,370,356</u></b>	<b><u>\$25,861,151</u></b>	<b><u>\$23,291,034</u></b>	<b><u>\$32,236,885</u></b>	<b><u>\$29,661,390</u></b>

Additional information on the Town's capital assets can be found in Note III.A.4 of the Basic Financial Statements.

**Long-Term Debt** - As of June 30, 2021 the Town of Valdese had total debt outstanding of \$8,002,401.

**The Town of Valdese's Outstanding Debt**

**Figure 5**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ -	\$ -	\$1,060,000	\$1,081,000	\$1,060,000	\$1,081,000
Direct placement revolving loans	-	-	3,828,251	2,412,012	3,828,251	2,412,012
Direct placement installment purchases	<u>2,940,965</u>	<u>3,098,170</u>	<u>173,185</u>	<u>432,894</u>	<u>3,114,150</u>	<u>3,531,064</u>
<b>Total</b>	<b><u>\$2,940,965</u></b>	<b><u>\$3,098,170</u></b>	<b><u>\$5,061,436</u></b>	<b><u>\$3,925,906</u></b>	<b><u>\$8,002,401</u></b>	<b><u>\$7,024,076</u></b>

The Town of Valdese's total debt increased by \$978,325 (13.92%) during the past fiscal year.

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 the Town of Valdese is \$25,987,838.

Additional information regarding the Town of Valdese's long-term debt can be found in Note III.B.6 beginning on page 52 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following are key economic indicators that continue to affect the status of the Town:

- The Town of Valdese (regional) unemployment rate was 4.6%, compared to the State's rate of 4.6% and the national rate of 5.9% as of June 30, 2021.
- Property taxes, our largest revenue source, remained steady.
- Sales and Utility Franchise taxes are our next largest revenue sources. Both have been trending positive. We expect this trend to slow down in the upcoming fiscal year.
- The effects of losing textile industries continues to provide challenges for our Utility System. However, we are optimistic that the current and planned effort to expand our residential customer base through development and acquisition will continue to partially offset these losses.
- Our utility system has aging infrastructure in the ground and at both the Water and Wastewater Treatment Plants. The Town implements a rate study annually that takes these factors into consideration to develop our utility rates.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

The original budget for the fiscal year 2020-2021 increased 4.3% over the previous fiscal year. This is primarily due to a large paving project, rising recycling costs, and insurance costs. This funding level provides for the continuation of all basic Town services, in addition to Community and Recreational services.

The property tax rate remains at \$0.545 per one hundred dollars (\$100) valuation. The County wide property revaluation from the FY 19-20 is still allocated towards streets and public safety.

Budgeted expenditures for general operations in the General Fund are expected to increase. This increase is primarily due to an increased cost of recycling, cost of living adjustment, facility maintenance, and inflation. The fiscal year 2022 budget maintains the current level of employee benefits with minor adjustments in deductibles.

The water and sewer rates in the Town will follow the Utility Fund's Capital Improvement Plan and rate model for residential, commercial, and industrial customer base rates. Through this budgeting and capital project model, the Town has developed a balanced projection for needed revenues generated from these rates to cover the day to day operating needs of the Utility Fund, as well as to address the aging infrastructure in our water and sewer system in a timely manner.

### **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 Director of Finance, Town of Valdese, P. O. Box 339, Valdese, N. C. 28690-0339. One can also call (828) 879-2120 or visit our website [www.townofvaldese.com](http://www.townofvaldese.com).

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**Basic  
Financial  
Statements**

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# TOWN OF VALDESE, NORTH CAROLINA

Exhibit 1

## Statement of Net Position June 30, 2021

	Primary Government			Town of Valdese ABC Board
	Governmental Activities	Business- type Activities	Total	
<b><u>Assets</u></b>				
Current assets:				
Cash and investments	\$ 6,705,504	\$ 1,381,860	\$ 8,087,364	\$ 103,563
Restricted cash and investments	176,021	79,258	255,279	-
Taxes receivable, net	148,367	-	148,367	-
Accounts receivable, net	56,390	582,893	639,283	-
Interest receivable	33,397	-	33,397	-
Due from other governmental agencies	425,677	-	425,677	-
Note receivable from component unit	35,000	-	35,000	-
Prepaid expenses	28,023	9,174	37,197	-
Inventories	111,666	184,635	296,301	238,484
Total current assets	<u>7,720,045</u>	<u>2,237,821</u>	<u>9,957,866</u>	<u>342,047</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable assets and construction in progress	1,838,461	3,712,909	5,551,370	-
Other capital assets, net of depreciation	4,537,273	22,148,242	26,685,515	49,224
Total capital assets	<u>6,375,734</u>	<u>25,861,151</u>	<u>32,236,885</u>	<u>49,224</u>
Total non-current assets	<u>6,375,734</u>	<u>25,861,151</u>	<u>32,236,885</u>	<u>49,224</u>
Total assets	<u>14,095,779</u>	<u>28,098,972</u>	<u>42,194,751</u>	<u>391,271</u>
Deferred outflows of resources	<u>942,643</u>	<u>303,542</u>	<u>1,246,185</u>	<u>18,848</u>
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable and other current liabilities	69,981	5,941	75,922	159,574
Customer deposits	-	79,258	79,258	-
Long-term liabilities				
Due within one year	108,256	271,814	380,070	35,000
Due in more than one year	5,545,168	5,534,771	11,079,939	19,297
Total liabilities	<u>5,723,405</u>	<u>5,891,784</u>	<u>11,615,189</u>	<u>213,871</u>
Deferred inflows of resources	<u>175,348</u>	<u>32,109</u>	<u>207,457</u>	<u>-</u>
<b><u>Net Position</u></b>				
Net investment in capital assets	3,434,769	20,799,715	24,234,484	22,155
Restricted for stabilization by state statute	623,792	-	623,792	-
Restricted for town revitalization	36,171	-	36,171	-
Restricted for USDA	137,459	-	137,459	-
Restricted for streets	38,562	-	38,562	-
Unrestricted	<u>4,868,916</u>	<u>1,678,904</u>	<u>6,547,820</u>	<u>174,093</u>
Total net position	<u>\$ 9,139,669</u>	<u>\$ 22,478,619</u>	<u>\$ 31,618,288</u>	<u>\$ 196,248</u>

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

**TOWN OF VALDESE, NORTH CAROLINA**

**Exhibit 2**

**Statement of Activities  
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Primary Government				Town of Valdese ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position				
					Governmental Activities	Business- type Activities	Total		
Governmental activities:									
General government	\$ 789,144	\$ 105,021	\$ -	\$ -	\$ (684,123)	\$ -	\$ (684,123)	\$ -	
Public safety	2,205,109	914	4,229	140,728	(2,059,238)	-	(2,059,238)	-	
Transportation	418,848	-	135,606	-	(283,242)	-	(283,242)	-	
Environmental protection	335,475	251,219	-	-	(84,256)	-	(84,256)	-	
Cultural and recreational	955,391	191,699	80,666	51,000	(632,026)	-	(632,026)	-	
Economic and physical development	593,682	-	-	139,795	(453,887)	-	(453,887)	-	
Interest on long-term debt	103,038	-	-	-	(103,038)	-	(103,038)	-	
Total governmental activities	<u>5,400,687</u>	<u>548,853</u>	<u>220,501</u>	<u>331,523</u>	<u>(4,299,810)</u>	<u>-</u>	<u>(4,299,810)</u>	<u>-</u>	
Business-type activities:									
Water and sewer	<u>5,302,359</u>	<u>5,130,346</u>	<u>-</u>	<u>2,049,398</u>	<u>-</u>	<u>1,877,385</u>	<u>1,877,385</u>	<u>-</u>	
Total business-type activities	<u>5,302,359</u>	<u>5,130,346</u>	<u>-</u>	<u>2,049,398</u>	<u>-</u>	<u>1,877,385</u>	<u>1,877,385</u>	<u>-</u>	
Total primary government	<u>\$ 10,703,046</u>	<u>\$ 5,679,199</u>	<u>\$ 220,501</u>	<u>\$ 2,380,921</u>	<u>(4,299,810)</u>	<u>1,877,385</u>	<u>(2,422,425)</u>	<u>-</u>	
Component unit:									
ABC Board	<u>1,654,575</u>	<u>1,658,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,663</u>	
Total component unit	<u>1,654,575</u>	<u>1,658,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
General revenues:									
Ad valorem taxes					2,297,073	-	2,297,073	-	
Local option sales tax					1,399,059	-	1,399,059	-	
Other taxes					457,865	-	457,865	-	
Unrestricted investment earnings					5,376	222	5,598	-	
Miscellaneous					331,983	191,093	523,076	200	
Transfers					221,000	(221,000)	-	-	
Total general revenues and transfers					<u>4,712,356</u>	<u>(29,685)</u>	<u>4,682,671</u>	<u>200</u>	
Change in net position					<u>412,546</u>	<u>1,847,699</u>	<u>2,260,245</u>	<u>3,863</u>	
Net position, beginning					<u>8,727,123</u>	<u>20,630,921</u>	<u>29,358,044</u>	<u>192,385</u>	
Net position - ending					<u>\$ 9,139,669</u>	<u>\$ 22,478,620</u>	<u>\$ 31,618,289</u>	<u>\$ 196,248</u>	

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

**TOWN OF VALDESE, NORTH CAROLINA**

**Exhibit 3**

**Balance Sheet  
Governmental Funds  
June 30, 2021**

	<b>Major Fund General Fund</b>	<b>Total Non-Major Funds</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash and investments	\$ 4,464,257	\$ 2,241,247	\$ 6,705,504
Restricted cash and investments	176,021	-	176,021
Taxes receivable, net	148,367	-	148,367
Accounts receivable, net	56,390	-	56,390
Loan receivable	35,000	-	35,000
Due from other funds	59,426	-	59,426
Due from other governmental agencies	425,677	-	425,677
Prepaid expenses	28,023	-	28,023
Inventories	111,666	-	111,666
Total assets	<u>\$ 5,504,828</u>	<u>\$ 2,241,247</u>	<u>\$ 7,746,075</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities:</b>			
Accounts payable and other current liabilities	\$ 69,984	\$ -	\$ 69,984
Due to other funds	-	59,426	59,426
Total liabilities	<u>69,984</u>	<u>59,426</u>	<u>129,410</u>
<b>Deferred inflows of resources:</b>			
Property taxes receivable	<u>148,367</u>	<u>-</u>	<u>148,367</u>
<b>Fund balances:</b>			
<b>Nonspendable:</b>			
Prepaid expenses	28,023	-	28,023
Inventories	111,666	-	111,666
<b>Restricted:</b>			
Stabilization by State Statute	623,792	-	623,792
Encumbrances	47,298	-	47,298
Town revitalization	-	36,171	36,171
Streets	38,562	-	38,562
<b>Committed:</b>			
USDA reserve	137,459	-	137,459
<b>Assigned:</b>			
Capital projects	-	2,145,650	2,145,650
Unassigned	<u>4,299,677</u>	<u>-</u>	<u>4,299,677</u>
Total fund balances	<u>5,286,477</u>	<u>2,181,821</u>	<u>7,468,298</u>
Total liabilities and fund balances	<u>\$ 5,504,828</u>	<u>\$ 2,241,247</u>	<u>\$ 7,746,075</u>

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

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 4****Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2021**

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Total governmental fund balances	\$ 7,468,298
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.	6,375,734
Deferred outflows of resources related to pensions are not reported in the funds	833,719
Deferred outflows of resources related to OPEB are not reported in the funds	108,924
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	181,766
Deferred inflows of resources related to pensions are not reported in the funds	(41,599)
Deferred inflows of resources related to OPEB are not reported in the funds	(133,749)
Long-term liabilities, including bonds payable, OPEB, pension liability and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(5,653,424)</u>
Net position of governmental activities	<u>\$ 9,139,669</u>

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

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 5****Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021**

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	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 2,313,313	\$ -	\$ 2,313,313
Other taxes and licenses	1,399,059	-	1,399,059
Unrestricted intergovernmental revenues	495,738	-	495,738
Restricted intergovernmental revenues	135,606	139,795	275,401
Sales and services	526,109	-	526,109
Investment earnings	4,357	1,019	5,376
Other revenues	351,849	283,973	635,822
Total revenues	<u>5,226,030</u>	<u>424,787</u>	<u>5,650,817</u>
<b>Expenditures:</b>			
Current:			
General government	736,289	-	736,289
Public safety	1,742,152	115,206	1,857,358
Environmental protection	298,223	-	298,223
Transportation	709,357	-	709,357
Cultural and recreational	842,737	-	842,737
Economic and physical development	-	588,164	588,164
Debt service:			
Principal	157,204	-	157,204
Interest and other charges	103,038	-	103,038
Total expenditures	<u>4,589,002</u>	<u>703,370</u>	<u>5,292,372</u>
Revenues over (under) expenditures	<u>637,028</u>	<u>(278,583)</u>	<u>358,445</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in	221,000	100,000	321,000
Operating transfers - out	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
Total other financing sources (uses)	<u>121,000</u>	<u>100,000</u>	<u>221,000</u>
Net change in fund balances	758,028	(178,584)	579,445
 Fund balances, beginning	 <u>4,528,448</u>	 <u>2,360,403</u>	 <u>6,888,851</u>
 Fund balances, ending	 <u>\$ 5,286,477</u>	 <u>\$ 2,181,821</u>	 <u>\$ 7,468,298</u>

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

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 6****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, 2021**

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

Net changes in fund balances - total governmental funds	\$ 579,445
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	47,729
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	224,827
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred revenue for tax revenues.	(16,240)
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 the governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance cost, 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.	(157,204)
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.	
Other postemployment benefits	176,877
Pension expense	(428,090)
Compensated absences	<u>(14,798)</u>
Total changes in net position of governmental activities	<u>\$ 412,546</u>

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

# TOWN OF VALDESE, NORTH CAROLINA

Exhibit 7

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 2,263,257	\$ 2,263,257	\$ 2,313,313	\$ 50,056
Other taxes and licenses	1,064,476	1,064,476	1,399,059	334,583
Unrestricted intergovernmental revenues	519,687	519,687	495,738	(23,951)
Restricted intergovernmental revenues	144,500	144,500	135,606	(8,894)
Sales and services	726,131	726,131	526,109	(200,022)
Investment earnings	44,231	44,231	4,357	(39,874)
Other revenues	35,700	173,938	351,849	177,911
Total revenues	<u>4,797,982</u>	<u>4,936,220</u>	<u>5,226,030</u>	<u>289,810</u>
<b>Expenditures:</b>				
Current:				
General government	858,714	1,001,716	736,289	265,427
Public safety	1,826,858	1,832,980	1,742,152	90,828
Transportation	776,255	789,952	709,357	80,595
Environmental protection	301,430	308,619	298,223	10,396
Cultural and recreational	1,115,542	1,146,279	842,737	303,542
Debt service:				
Principal	157,204	157,204	157,204	-
Interest and other charges	103,040	103,040	103,038	2
Total expenditures	<u>5,139,043</u>	<u>5,339,790</u>	<u>4,589,002</u>	<u>750,790</u>
Revenues over (under) expenditures	<u>(341,061)</u>	<u>(403,570)</u>	<u>637,028</u>	<u>1,040,600</u>
<b>Other Financing Sources (Uses):</b>				
Appropriated fund balance	220,061	282,570	-	(282,570)
Operating transfers - in (out)	121,000	121,000	121,000	-
Total other financing sources (uses)	<u>341,061</u>	<u>403,570</u>	<u>121,000</u>	<u>(282,570)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>758,028</u>	<u>\$ 758,028</u>
Fund balance, beginning			<u>4,528,448</u>	
Fund balance, ending			<u>\$ 5,286,477</u>	

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

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 8****Statement of Fund Net Position  
Proprietary Fund  
June 30, 2021**

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	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and investments	\$ 1,381,860
Accounts receivable, net	582,893
Inventories	184,635
Prepaid expenses	9,174
Restricted cash and cash equivalents	79,258
Total current assets	<u>2,237,820</u>
Noncurrent assets:	
Capital assets:	
Land and improvements	316,070
Buildings and improvements	19,480,733
Distribution systems	26,882,186
Furniture and maintenance equipment	1,437,242
Vehicles	615,012
Construction in progress	3,396,839
Less accumulated depreciation	<u>(26,266,932)</u>
Capital assets, net	<u>25,861,151</u>
Total noncurrent assets	<u>25,861,151</u>
Total assets	<u>28,098,972</u>
Deferred Outflows of Resources	<u>303,542</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable and other current liabilities	5,941
Customer deposits	79,258
General obligation bonds payable - current	33,546
Loans payable - current	<u>238,268</u>
Total current liabilities	357,013
Noncurrent liabilities:	
General obligation bonds payable	1,199,639
Loans payable	3,589,983
Net pension liability	516,396
Other postemployment benefits liability	155,015
Accrued compensated absences	<u>73,738</u>
Total liabilities	<u>5,891,785</u>
Deferred Inflows of Resources	<u>32,109</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	20,799,716
Unrestricted	<u>1,678,904</u>
Total net position	<u>22,478,620</u>
Net position of business-type activities	<u>\$ 22,478,620</u>

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



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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 9****Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2021**

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	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 4,589,596
Other operating revenues	540,750
Total operating revenues	<u>5,130,346</u>
<b>Operating Expenses:</b>	
Administration	1,114,856
Water supply and treatment	1,142,226
Wastewater treatment	1,093,215
Water and sewer maintenance	766,320
Depreciation	1,120,935
Total operating expenses	<u>5,237,551</u>
Operating income (loss)	<u>(107,205)</u>
<b>Nonoperating Revenues (Expenses):</b>	
Rent	1,800
Investment earnings	222
Interest expense	(64,808)
Disposal of fixed assets	185,968
Other	3,325
Nonoperating revenues (expenses), net	<u>126,506</u>
Income (loss) before operating transfers and capital contributions	19,301
Capital contributions	2,049,398
Transfers (to) from other funds: General fund	<u>(221,000)</u>
Change in net position	1,847,699
Total net position-beginning	<u>20,630,921</u>
Total net position- ending	<u>\$ 22,478,620</u>

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

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 10****Page 1 of 2****Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2021**

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	<b><u>Enterprise Fund</u></b>
	<b><u>Utility</u></b>
	<b><u>Fund</u></b>
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers	\$ 5,111,866
Cash paid for goods and services	(3,750,990)
Cash paid to employees	<u>(205,389)</u>
Net cash provided (used) by operating activities	<u>1,155,487</u>
<b>Cash Flows From Noncapital Financing Activities:</b>	
Operating transfers out	<u>(221,000)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Proceeds from sale of fixed assets	65,497
Additional construction in progress	(3,706,535)
Acquisition of capital assets	(136,440)
Proceeds from borrowings on long-term debt	1,683,427
Principal paid on bonds	(288,394)
Interest paid on bonds	(64,808)
Other	18,016
Capital contributions	<u>2,049,398</u>
Net cash provided (used) for capital and related financing activities	<u>(379,839)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest on investments	<u>222</u>
Net cash provided (used) by investing activities	<u>222</u>
Net increase (decrease) in cash and cash equivalents	554,870
Cash and cash equivalents at beginning of year	<u>906,248</u>
Cash and cash equivalents at end of year	<u>\$ 1,461,118</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Exhibit 10, cont.****Page 2 of 2****Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2021**

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**Enterprise Fund  
Utility  
Fund****Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)  
by Operating Activities:**

Operating income (loss)	\$ (107,205)
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**Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided  
(Used) by Operating Activities:**

Depreciation	1,120,935
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in receivables	(20,957)
(Increase) decrease in deferred outflows of resources - pension	(63,268)
(Increase) decrease in deferred outflows of resources - OPEB	(17,424)
(Increase) decrease in inventories	52,177
Increase (decrease) in net pension liability	148,786
Increase (decrease) in payables	1,796
Increase (decrease) in accrued vacation pay and other postemployment benefits	45,343
Increase (decrease) in deferred inflows of resources - pension	(2,544)
Increase (decrease) in deferred inflows of resources - OPEB	(4,629)
Increase (decrease) in customer deposits	2,477
Total adjustments	<u>1,262,692</u>
Net cash provided (used) by operating activities	<u>\$ 1,155,487</u>

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

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### I. Summary of Significant Accounting Policies

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

##### The Town of Valdese ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Valdese ABC Board, P. O. Box 1058, Valdese, N. C. 28690.

##### B. Basis of Presentation

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

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

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

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

The Town reports the following major governmental funds:

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

The Town reports the following non-major governmental funds:

Water Plant Capital Project Fund - This fund is used to account for improvements to the water plant.

Police Department Capital Project Fund - This fund is used to account for police department capital expenditures.

Public Safety Building Project Fund - This fund is used to account for cost associated with the planning of a new public safety building.

Public Art Fund - This fund is used to account for assets to add art to the Town.

Capital Outlay Fund - This fund accounts for assets held by the Town for the construction of a community house or other capital projects.

Lake Rhodhiss Capital Project Fund - This fund is used to account for improvements to the Lake Rhodhiss Plant.

Lakeside Park Phase I Project Fund - This fund is used to acquire revenue for the first phase of the Lakeside Park construction.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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CDBG Scattered Sites Housing Fund - This fund is used to acquire revenue for housing rehabilitation.

Alba Waldensian Building Demo Fund - This fund is used to acquire revenue for the demolition of an abandoned factory within the Town.

McGalliard Creek Bridge Fund - This fund is used to construct a bridge to connect the two areas of the park.

The Town reports the following major enterprise fund:

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when the 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. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. 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 assets available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

#### **D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Project Funds, Special Revenue Funds and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager has unlimited authority to transfer appropriations within a department. He is authorized to transfer up to \$1,000 between departments of the same fund with subsequent Board approval. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until annual ordinance can be adopted. The Capital Outlay Fund is not required to be budgeted.

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## **TOWN OF VALDESE, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021**

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

##### **1. Deposits and Investments**

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

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

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

##### **2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

##### **3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.



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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

#### Town of Valdese Restricted Cash

##### Governmental activities

###### General fund

###### Streets

\$ 38,562

###### USDA

137,459

##### Total governmental activities

176,021

##### Business-type activities

###### Water and sewer fund

###### Customer deposits

79,258

##### Total restricted cash

\$255,279

#### **4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes 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<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

#### **5. Allowances for Doubtful Accounts**

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

#### **6. Inventory and Prepaid Items**

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies, and they are recorded as expenditures as used, rather than when purchased.

The inventories of the Town's Enterprise Fund, and those of the ABC Board, consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed, rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and are expensed as the items are used.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### 7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$5,000. 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 cost of normal maintenance and repairs that do not add to the value of the assets, or materially extend assets' lives, is 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>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment and furniture	10
Leasehold improvements	10-20
Computers	3

#### 8. Deferred Outflows/Inflows of Resources

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

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## **TOWN OF VALDESE, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021**

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#### **9. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### **10. Compensated Absences**

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

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

#### **11. Net Position/Fund Balances**

##### **Net Position**

Net position in government-wide and proprietary fund financial statements is 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, laws or regulations of other governments, or imposed by law through State statute.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### Fund Balances

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

The governmental fund types classify fund balances as follows:

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

**Inventories** - the portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

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

**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** - the portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

**Restricted for Encumbrances** - the portion of fund balance to be used for future obligations.

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

**Restricted for Town Revitalization** - the portion of fund balance to be used for Town improvements.

**Committed Fund Balance** - the portion of fund balance that can only be used for specific purposes imposed by a majority vote by quorum of the Town of Valdese's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**USDA Reserve** - the portion of fund balance restricted as stated by USDA.

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

**Capital Projects** - the portion of fund balance that has been budgeted for future capital projects.

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## **TOWN OF VALDESE, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021**

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Subsequent Year's Expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

The Town of Valdese 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.

#### **Defined Benefit Cost Sharing Plans**

For purposes of measuring the net pension liability (asset), 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 Valdese's employer contributions are recognized when due, and the Town of Valdese 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.

## **II. Stewardship, Compliance and Accountability**

### **A. Deficit in Fund Balance of Individual Funds**

The CDBG Scattered Sites Housing Fund had a deficit fund balance of \$40,939 at June 30, 2021.

The Alba Waldensian Building Demo Fund had a deficit fund balance of \$18,487 at June 30, 2021.

### **B. Excess of Expenditures over Appropriations**

None

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### III. Detail Notes on All Funds

##### A. Assets

##### 1. Deposits

All the deposits of the Town and the ABC Board are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's or the ABC Board's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all Pooling Method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$7,510,375 and a bank balance of \$7,849,064. 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 carrying amount of deposits for the ABC Board was \$103,563, and the bank balance was \$149,854. All of the bank balance was covered by federal depository insurance.

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**TOWN OF VALDESE, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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**2. Investments**

At June 30, 2021, the Town's investment balances were as follows:

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/21</u>	<u>Maturity</u>	<u>Rating</u>
N. C. Capital Management Trust Government Portfolio	Fair Value Level I	\$ 139	N/A	AAAm
N. C. Capital Management Trust Term Portfolio	Fair Value Level I	<u>832,129</u>	.15 years	Unrated
Total		<u>\$832,268</u>		

Interest Rate Risk. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Town has no formal policy regarding credit risk but has internal management procedures that limit the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the N. C. Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021. The Town's investment in the N. C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30, as amended.

**3. Receivables - Allowance for Doubtful Accounts**

Receivables at the government-wide level at June 30, 2021 were are follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental activities:				
General	\$ 56,390	\$237,764	\$425,677	\$719,831
Other governmental	-	-	-	-
Total	56,390	237,764	425,677	719,831
Allowance for doubtful accounts	-	(56,000)	-	(56,000)
Total - governmental activities	<u>\$ 56,390</u>	<u>\$181,764</u>	<u>\$425,677</u>	<u>\$663,831</u>
Business-type activities:				
Utility fund	\$582,893	\$ -	\$ -	\$582,893
Allowance for doubtful accounts	-	-	-	-
Total - business-type activities	<u>\$582,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$582,893</u>

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**TOWN OF VALDESE, NORTH CAROLINA**

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**Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2021**

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

Sales tax and utility franchise tax \$425,677

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:  
Taxes receivable \$ 56,000

**4. Capital Assets**

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

	<b><u>Beginning Balances</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balances</u></b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	<u>\$1,850,917</u>	<u>\$ -</u>	<u>\$12,456</u>	<u>\$1,838,461</u>
Total capital assets not being depreciated	<u>1,850,917</u>	<u>-</u>	<u>12,456</u>	<u>1,838,461</u>
Capital assets being depreciated:				
Buildings	6,795,395	417,485	12,000	7,200,880
Equipment	1,593,093	33,871	402,882	1,224,082
Vehicles and motorized equipment	<u>2,905,718</u>	<u>100,201</u>	<u>361,004</u>	<u>2,644,915</u>
Total capital assets being depreciated	<u>11,294,206</u>	<u>551,556</u>	<u>775,886</u>	<u>11,069,877</u>
Less accumulated depreciation for:				
Buildings	3,595,470	127,758	12,000	3,711,228
Equipment	1,226,453	76,983	385,494	917,942
Vehicles and motorized equipment	<u>1,952,843</u>	<u>299,095</u>	<u>348,504</u>	<u>1,903,434</u>
Total accumulated depreciation	<u>6,774,767</u>	<u>503,836</u>	<u>745,998</u>	<u>6,532,604</u>
Total capital assets being depreciated, net	<u>4,519,439</u>	<u>47,720</u>	<u>29,888</u>	<u>4,537,273</u>
Governmental activity capital assets, net	<u>\$6,370,356</u>	<u>\$47,720</u>	<u>\$42,344</u>	<u>\$6,375,734</u>

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

General government	\$ 50,624
Public safety	264,155
Transportation	104,212
Environmental protection	20,107
Cultural and recreational	<u>64,738</u>
Total depreciation expense	<u>\$503,836</u>



# TOWN OF VALDESE, NORTH CAROLINA

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<b>Utility Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 322,980	\$ -	\$ 6,910	\$ 316,070
Construction in progress	<u>2,991,816</u>	<u>3,706,536</u>	<u>3,301,513</u>	<u>3,396,839</u>
Total capital assets not being depreciated	<u>3,314,796</u>	<u>3,706,536</u>	<u>3,308,423</u>	<u>3,712,909</u>
Capital assets being depreciated:				
Plant and distribution systems	43,338,849	3,370,574	346,504	46,362,919
Equipment	1,489,591	42,535	94,884	1,437,242
Vehicles	<u>645,946</u>	<u>24,844</u>	<u>55,778</u>	<u>615,012</u>
Total capital assets being depreciated	<u>45,474,386</u>	<u>3,437,953</u>	<u>497,166</u>	<u>48,415,173</u>
Less accumulated depreciation for:				
Plant and distribution systems	23,805,739	1,016,946	201,491	24,621,194
Equipment	1,142,649	54,898	94,882	1,102,665
Vehicles	<u>549,760</u>	<u>49,091</u>	<u>55,778</u>	<u>543,073</u>
Total accumulated depreciation	<u>25,498,148</u>	<u>1,120,935</u>	<u>352,151</u>	<u>26,266,932</u>
Total capital assets being depreciated, net	<u>19,976,238</u>	<u>2,317,018</u>	<u>145,015</u>	<u>22,148,242</u>
Utility fund capital assets, net	<u>\$23,291,034</u>	<u>\$6,023,554</u>	<u>\$3,453,438</u>	<u>\$25,861,151</u>

### Discretely Presented Component Unit

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets being depreciated:				
Furniture and equipment	\$41,936	\$ -	\$ -	\$41,936
Leasehold improvements	156,914	-	-	156,914
Computers	<u>3,083</u>	<u>-</u>	<u>-</u>	<u>3,083</u>
Total capital assets being depreciated	<u>201,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>201,933</u>
Less accumulated depreciation for:				
Furniture and equipment	35,945	\$ 2,770	\$ -	38,715
Leasehold improvements	100,450	10,461	-	110,911
Computers	<u>3,068</u>	<u>13</u>	<u>-</u>	<u>3,081</u>
Total accumulated depreciation	<u>139,464</u>	<u>\$13,244</u>	<u>\$ -</u>	<u>152,708</u>
ABC capital assets, net	<u>\$62,468</u>			<u>\$49,224</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### B. Liabilities

##### 1. Payables

Payables at the government-wide level at June 30, 2021 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$69,981
Other	<u>-</u>
Total - governmental activities	<u>\$69,981</u>
Business-type activities:	
Water and Sewer	<u>\$ 5,941</u>
Total - business-type activities	<u>\$ 5,941</u>

##### 2. Pension Plan and Post-employment Obligations

###### a. Local Government Employees' Retirement System

*Plan Description.* The Town of Valdese 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, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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*Benefits Provided.* LGERS provides retirement, disability 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. 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 creditable 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.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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*Contributions.* Contribution provisions are established by North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2021, all employers made contributions of 12.040% of covered payroll for law enforcement officers and 11.440% for general employees and firefighters. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Valdese was \$321,181 for the year ended June 30, 2021.

*Refunds of Contributions.* Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor benefit provided by LGERS.

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

At June 30, 2021, the Town reported a liability of \$1,721,319 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, (measurement date) the Town's proportion was 0.04817% which was a increase of 0.00330% from its proportion measured as of June 30, 2019.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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For the year ended June 30, 2021, the Town recognized pension expense of \$597,629. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$217,372	\$ -
Change in assumptions	128,100	-
Net difference between projected and actual earnings on pension plan investments	242,229	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	33,767	22,111
Town contributions subsequent to the measurement date	<u>321,181</u>	<u>-</u>
Total	<u>\$942,649</u>	<u>\$22,111</u>

\$321,181, reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, will be recognized as an increase of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ending June 30:**

2022	\$168,972
2023	223,026
2024	135,672
2025	<u>71,688</u>
	<u>\$599,358</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

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

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

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

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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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 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	<u>\$3,492,369</u>	<u>\$1,721,319</u>	<u>\$249,452</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### b. Law Enforcement Officers' Special Separation Allowance

##### 1. Plan Description

Plan Description - The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to .85% of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>11</u>
Total	<u>11</u>

##### 2. Summary of Significant Accounting Policies

Basis of Accounting - The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

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

##### 3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent



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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

Mortality rates are based on the MP-2019 Mortality Tables with adjustments for males and females.

#### 4. Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established, and may be amended by, the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$-0- as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$408,298. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$43,623.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,458	\$18,887
Changes of assumptions	124,407	7,234
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$173,865</u>	<u>\$26,121</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

#### **Year ending June 30:**

2022	\$21,162
2023	21,162
2024	21,897
2025	23,038
2026	23,988
Thereafter	36,497

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	<b>1% Decrease</b> <b><u>(0.93%)</u></b>	<b>Discount Rate</b> <b><u>(1.93%)</u></b>	<b>1% Increase</b> <b><u>(2.93%)</u></b>
Total pension liability	<u>\$450,808</u>	<u>\$408,298</u>	<u>\$369,429</u>

#### Schedule of Changes in Total Pension Liability

##### Law Enforcement Officers' Special Separation Allowance

Beginning balance	\$200,396
Service cost	15,928
Interest on the total pension liability	6,533
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	54,258
Changes of assumptions or other inputs	131,183
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$408,298</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

	<u><b>LGERS</b></u>	<u><b>LEOSSA</b></u>	<u><b>Total</b></u>
Pension expense	\$ 597,629	\$43,623	\$ 641,252
Pension liability	1,721,319	408,298	2,129,617
Proportionate share of the net pension liability	0.04817%	n/a	
Deferred outflows of resources			
Differences between expected and actual experience	217,372	49,458	266,830
Changes of assumptions	128,100	124,407	252,507
Net difference between projected and actual earnings on plan investments	242,229	-	242,229
Changes in proportion, and differences between, contributions and proportionate share of contributions	33,767	-	33,767
Town contributions subsequent to the measurement date	321,181	-	321,181
Deferred inflows of resources			
Differences between expected and actual experience	-	18,887	18,887
Changes of assumptions	-	7,234	7,234
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	22,111	-	22,111

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of the State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$33,319, which consisted of \$27,412 from the Town, and \$5,907 from the law enforcement officers.

#### d. Other Post-employment Benefits

##### Healthcare Benefits

Plan Description - Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the "HCB Plan"). This plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System (the "System") and have at least twenty-five years of creditable service with the Town and were hired prior to July 1, 2016. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town retirees can purchase coverage for their dependents at the Town's group retiree rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	5
Inactive members entitled to, but not yet receiving, benefits	0
Active plan members	<u>46</u>
Total	<u>51</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### Total OPEB Liability

The Town's total OPEB liability of \$1,109,120 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.5 to 7.75 percent, average, including inflation
Discount rate	2.21 percent
Healthcare cost trend rates	Pre-Medicare - 7.00% for 2019, decreasing to an ultimate rate of 4.5% by 2026

The discount rate is based on the yield of the Bond Buyer 20 Year General Obligation Bond Index as of the measurement date.

#### Changes in the Total OPEB Liability

Balance at July 1, 2019	\$ 898,552
Changes for the year	
Service Cost	34,038
Interest	31,724
Changes of benefit terms	68,763
Differences between expected and actual experience	15,125
Changes in assumptions or other inputs	113,749
Benefit payments	(52,831)
Net changes	210,568
Balance at June 30, 2020	<u>\$1,109,120</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

Mortality rates were based on the RP-2014 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period January 2010 through December 2014.

*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 (1.21 percent) or 1-percentage-point-higher (3.21 percent) than the current discount rate:

	1% Decrease <u>(1.21%)</u>	Discount Rate <u>(2.21%)</u>	1% Increase <u>(3.21%)</u>
Total OPEB liability	<u>\$1,206,651</u>	<u>\$1,109,120</u>	<u>\$1,019,793</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$981,693</u>	<u>\$1,109,120</u>	<u>\$1,258,717</u>

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$125,846. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 16,517	\$107,846
Changes of assumptions	<u>113,154</u>	<u>51,409</u>
Total	<u>\$129,671</u>	<u>\$159,255</u>

Amounts reported as deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

#### **Year ending June 30:**

2022	\$ (8,679)
2023	(8,679)
2024	(8,679)
2025	(8,679)
2026	(8,567)
Thereafter	13,699

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### e. Other Employee Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (the "Death Benefit Plan"), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death, are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000, or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan, and not by the Town, the Town does not determine the number of eligible participants. 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 benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

#### 3. Deferred Outflows and Inflows of Resources

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

Contribution to pension plan in current fiscal year	\$ 321,181
Changes of assumptions	365,661
Difference between expected and actual experience	283,347
Net difference between projected and actual earnings on pension plan investments	242,229
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>33,767</u>
Total	<u>\$1,246,185</u>

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

Taxes receivable, less penalties (General Fund)	\$ 148,367
Differences between expected and actual experience	126,733
Changes of assumptions	58,613
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	<u>22,111</u>
Total	<u>\$ 355,824</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### 4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded, risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, Workers' Compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large Workers' Compensation claims that exceed certain dollar cost levels.

Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess, and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the N. C. League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry any additional insurance for flooding.

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 and tax collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a policy with the following coverage: \$10,000, per occurrence for forgery or alteration, \$5,000, per occurrence for theft inside the premises, and \$5,000, per occurrence for outside.

#### 5. Claims, Judgments and Contingent Liabilities

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



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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### 6. Long-Term Obligations

##### a. General Obligation Indebtedness

The Town's general obligations bonds, issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources, are reported as long-term debt in the Utility Fund. All general obligation debt is collateralized by the full faith, credit, and taxing power of the Town. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due.

The Town's bond indebtedness at June 30, 2021 is comprised of the following:

Serviced by the Utility Fund:

\$1,280,000 Water and Sewer Series 2008 Bonds with annual principal payments of \$14,000 to \$56,000 due on June 1, with interest at 4.250%, final payment due June 2048, for The Settings	<u>\$1,060,000</u>
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##### b. Installment Purchases

The Town's direct placement installment purchases are comprised of the following:

Serviced by the General Fund:

\$350,000 USDA direct installment purchase with annual payments of \$26,908, including interest at 4.50%, final payment due March 2024, secured by a fire truck	\$ 79,880
\$469,000 USDA direct installment purchase with annual payments of \$19,483, including interest at 2.75%, final payment due September 2058, secured by splash pad	448,695
\$1,826,500 USDA direct installment purchase with annual payments of \$88,878, including interest at 3.75%, final payment due November 2051, secured by town hall	1,584,060
\$85,000 bank direct installment purchase with annual payments of \$18,470, including interest at 2.83%, final payment due August 2024, secured by police cars	68,935
\$850,000 USDA direct installment purchase with annual payments of \$52,761, including interest at 2.75%, final payment due November 2038, secured by a fire ladder truck	759,395

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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Serviced by Utility Fund:

\$230,913 installment purchase, with annual principal payments of \$11,546, due on May 1, with interest, and an interest only payment due November 1; interest at 2.00%, final payment due May 2036, for Inflow & Infiltration	\$ 173,185
Total	<u>\$3,114,150</u>

**c. Direct Placement Revolving Loans**

Serviced by the Utility Fund:

\$466,548 direct placement revolving loan with annual principal payments of \$19,940 due on May 1, with 0% interest, final payment due in 2040, water system improvements	\$ 443,221
\$1,019,223 direct placement revolving loan with a principal payment of \$85,444 due on May 1, with 0% interest, final payment due May 2041, for main street water line improvements	1,019,223
\$1,699,039 direct placement revolving loan with annual principal payments of \$84,952 due on May 1, with 0% interest, final payment due in 2040, secured by water meter project	1,614,087
\$596,461 direct placement revolving loan with a principal payment of \$35,920 due on May 1, with 0% interest, final payment due May 2041, for water plant bleach conversion	596,461
\$172,510 direct placement revolving loan with annual principal payments of \$8,626 due on May 1, with 0% interest, final payment due in 2039, secured by St. Germain Street water lines	<u>155,259</u>
Total	<u>\$3,828,251</u>

At June 30, 2021 the Town of Valdese had a legal debt margin of \$25,987,838.

# TOWN OF VALDESE, NORTH CAROLINA

## Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 108,256	\$ 98,244	\$ 271,814	\$ 48,514
2023	111,968	94,533	272,814	47,348
2024	115,815	90,685	273,814	46,140
2025	100,121	86,700	274,814	44,889
2026	77,646	83,476	275,814	43,595
2027-2031	427,044	378,568	1,397,071	196,960
2032-2036	499,944	305,676	1,170,634	156,762
2037-2041	509,887	219,806	741,661	110,926
2042-2046	396,640	145,166	271,000	58,906
2047-2051	471,386	68,694	112,000	7,140
2052-2056	85,161	12,253	-	-
2057-2058	37,097	1,533	-	-
Total	<u>\$2,940,965</u>	<u>\$1,585,334</u>	<u>\$5,061,436</u>	<u>\$ 761,180</u>

### d. Changes in Long-Term Liabilities

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion of Balance
Governmental activities:					
Direct placement	\$3,098,170	\$ -	\$157,205	\$2,940,965	\$108,256
Total OPEB liability	777,228	176,877	-	954,105	-
Net pension liability (LGERS)	857,755	347,168	-	1,204,923	-
Total pension liability (LEO)	200,396	207,902	-	408,298	-
Compensated absences	<u>130,334</u>	<u>14,798</u>	<u>-</u>	<u>145,132</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$5,063,883</u>	<u>\$ 746,745</u>	<u>\$157,205</u>	<u>\$5,653,423</u>	<u>\$108,256</u>
Business-type activities:					
Direct placement	\$ 432,894	\$ -	\$259,709	\$ 173,185	\$ 11,546
General obligation bonds	1,081,000	-	21,000	1,060,000	22,000
Total OPEB liability	121,324	33,691	-	155,015	-
Net pension liability (LGERS)	367,610	148,786	-	516,396	-
Direct placement revolving loans	2,412,012	1,683,427	267,188	3,828,251	238,268
Compensated absences	<u>62,086</u>	<u>11,652</u>	<u>-</u>	<u>73,738</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$4,476,926</u>	<u>\$1,877,556</u>	<u>\$547,897</u>	<u>\$5,806,585</u>	<u>\$271,814</u>

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

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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**e. Discretely Presented Component Unit**

Debt obligation for the ABC Board for the year ended June 30, 2021 was as follows:

First Citizens Bank

Line of credit payable to bank with total availability of \$49,000. Bears interest at prime rate, plus .75%, with a minimum rate of 4.0%. The total amount outstanding on this line of credit at June 30, 2020 was \$-0-. Secured by all personal property.

The Town of Valdese

On November 4, 2013, the Board obtained a loan from the Town of Valdese. The note provides for an initial disbursement to the Board of \$72,775 on November 15, 2013. Upon approval from the Town of Valdese Town Council, additional disbursements from the Town to the ABC Board were as follows:

\$30,000 - November 15, 2014

\$30,000 - November 15, 2015

\$30,000 - November 15, 2016

The total disbursements under this note were \$162,775. The note bears interest at a rate of 4.0%, with interest to be paid annually.

Debt Summary

Total debt	\$35,000
Less: Current maturities	<u>35,000</u>
Total long-term debt	<u>\$ -</u>

Scheduled principal payments on long-term debt are as follows:

Years ending June 30, 2022	<u>\$35,000</u>
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Interest expense for the year ended June 30, 2021 was \$3,120.

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### C. Interfund Balances and Activities

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

Due to the General Fund from the Alba Waldensian Building Demo Fund due to timing of bills paid	\$18,487
Due to the General Fund from the CDBG Scattered Sites Housing Fund due to the timing of bills paid	<u>40,939</u>
Total	<u>\$59,426</u>

Transfers to/from Other Funds

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

From the General Fund to the Public Safety Building Fund - to fund project	\$100,000
From the Utility Fund to the General Fund - debt service	<u>221,000</u>
Total	<u>\$321,000</u>

#### D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized, as a revenue and an expenditure, on-behalf payments for fringe benefits and salaries of \$3,710 for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2021. Under State law, the local board of trustees for the Fund receives an amount each year which the Board may use at its own discretion for eligible firemen or their departments.

#### E. 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	\$5,286,477
Less:	
Inventories	111,666
Prepays	28,023
Stabilization by State Statute	623,792
Encumbrances	47,298
USDA Reserve	137,459
Streets-Powell Bill	<u>38,562</u>
Remaining Fund Balance	<u>\$4,299,677</u>

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## TOWN OF VALDESE, NORTH CAROLINA

### Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021

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#### F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$6,375,734	\$25,861,151
Less long-term debt	2,940,965	5,061,436
Add: unexpended debt proceeds	<u>-</u>	<u>-</u>
Net investment in capital asset	<u>\$3,434,769</u>	<u>\$20,799,715</u>

#### IV. Joint Venture

The Town, in conjunction with five other local governments, established the Burke Partnership for Economic Development, Inc. The Town appoints two members of the 24 member board. The Town has an ongoing financial responsibility for the joint venture, because the Partnership's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Partnership, so no equity interest has been reflected in the financial statements at June 30, 2021. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$19,808 to the Partnership to supplement its activities. Complete financial statements for the Partnership can be obtained from the Partnership's office in Morganton, North Carolina.

#### V. Jointly Governed Organization

##### Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$3,602 during the fiscal year ended June 30, 2021.

#### VI. Related Organization

The five-member board of the Town of Valdese Housing Authority is appointed by the mayor of the Town of Valdese. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Valdese is also disclosed as a related organization in the notes to the financial statements for the Town of Valdese Housing Authority.

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## **TOWN OF VALDESE, NORTH CAROLINA**

### **Notes to the Financial Statements For the Fiscal Year Ended June 30, 2021**

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#### **VII. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 moneys.

##### **Other**

The Town is subject to the authority of various federal and State regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by these agencies.

#### **VIII. Significant Utility Customers**

The Town of Valdese has four utility customers whose sales represent approximately 18% of the total Utility Sales to all customers for fiscal year 2021. Loss of these customers could have a significant impact on the Town's Utility Fund.

#### **IX. Subsequent Event**

Management has evaluated subsequent events through November 19, 2021, the date on which the financial statements were available to be issued, and concluded that the following subsequent event has occurred that would require recognition in the financial statements or disclosure in the financial statements:

##### **COVID-19 Pandemic**

The spread of the Coronavirus Disease (COVID-19) has been deemed a worldwide pandemic. The COVID-19 pandemic has had significant effects on global economic markets, supply chains, businesses and communities. As a result, domestic and international equity markets have experienced significant fluctuations. The impact on the Town of Valdese, North Carolina is not reflected in the financial statements for the year ended June 30, 2021, since the full impact of COVID-19 is unknown and cannot be reasonably estimated as of November 19, 2021:

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**Required Supplemental  
Financial Data**

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 1-1****Schedule of Changes in the Total OPEB Liability and Related Ratios  
Last Four Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 34,038	\$ 51,300	\$ 53,146	\$ 57,631
Interest	31,724	37,297	33,291	27,725
Changes in benefit terms	68,763	-	-	-
Difference between expected and actuarial experience	15,125	(145,954)	2,074	3,578
Changes in assumptions and other inputs	113,749	19,291	(32,452)	(53,731)
Benefit payments	<u>(52,831)</u>	<u>(43,938)</u>	<u>(21,089)</u>	<u>(21,248)</u>
Net change in total OPEB liability	210,568	(82,004)	34,970	13,955
Total OPEB liability, beginning	898,552	980,556	945,586	931,631
Total OPEB liability, ending	<u>\$1,109,120</u>	<u>\$ 898,552</u>	<u>\$ 980,556</u>	<u>\$ 945,586</u>
 Covered payroll	 \$1,879,478	 \$1,879,478	 \$2,711,425	 \$2,711,425
Total OPEB liability as a percentage of covered payroll	59.01%	47.81%	36.16%	34.87%

**Notes to Schedule**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal year</u>	<u>Rate</u>
2021	2.21%
2020	3.50%
2019	3.89%

**TOWN OF VALDESE, NORTH CAROLINA**

**Schedule 1-2**

**Town of Valdese's Proportionate Share of Net Pension Liability (Asset)  
Required Supplementary Information  
Last Eight Fiscal Years\*  
Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Valdese's proportion of the net pension liability (asset) (%)	0.04817%	0.04487%	0.04526%	0.04553%	0.04679%	0.04626%	0.04793%	0.04780%
Valdese's proportion of the net pension liability (asset) (\$)	\$1,721,319	\$1,225,365	\$1,073,722	\$ 695,572	\$ 993,041	\$ 207,612	\$ (282,665)	\$ 576,174
Valdese's covered employee payroll	\$3,177,195	\$2,988,593	\$3,055,887	\$3,046,132	\$2,860,645	\$2,739,307	\$2,763,622	\$2,684,941
Valdese's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.17%	41.00%	35.13%	22.83%	34.71%	7.58%	(10.23%)	21.46%
Plan fiduciary net position as a percentage of the total pension liability (asset)**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**TOWN OF VALDESE, NORTH CAROLINA**

**Schedule 1-3**

**Town of Valdese's Contributions  
Required Supplementary Information  
Last Eight Fiscal Years  
Local Government Employees' Retirement System**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 321,181	\$ 290,201	\$ 237,585	\$ 235,238	\$ 227,315	\$ 195,576	\$ 195,093	\$ 196,239
Contributions in relation to the contractually required contribution	<u>321,181</u>	<u>290,201</u>	<u>237,585</u>	<u>235,238</u>	<u>227,315</u>	<u>195,076</u>	<u>195,093</u>	<u>196,239</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Valdese's covered-employee payroll	<u>\$3,106,073</u>	<u>\$3,177,195</u>	<u>\$2,988,593</u>	<u>\$3,055,887</u>	<u>\$3,046,132</u>	<u>\$2,860,645</u>	<u>\$2,739,307</u>	<u>\$2,763,622</u>
Contributions as a percentage of covered-employee payroll	10.34%	9.13%	7.94%	7.69%	7.46%	6.84%	7.12%	7.10%

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 1-4****Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 200,396	\$ 188,730	\$ 175,301	\$ 164,871	\$ 151,859
Service cost	15,928	12,022	13,254	11,128	13,364
Interest	6,533	6,870	5,540	6,364	5,421
Changes in benefit terms	-	-	-	-	-
Difference between expected and actuarial experience	54,258	(14,437)	4,344	(20,472)	-
Changes in assumptions and other inputs	131,183	7,211	(9,709)	13,410	(5,773)
Benefit payments	-	-	-	-	-
Other changes	-	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Ending balance of the total pension liability	<u>\$ 408,298</u>	<u>\$ 200,396</u>	<u>\$ 188,730</u>	<u>\$ 175,301</u>	<u>\$ 164,871</u>

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

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 1-5****Schedule of Total Pension Liability as a Percentage of Covered Payroll  
Law Enforcement Officers' Special Separation Allowance  
Last Five Fiscal Years**

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	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 408,298	\$ 200,396	\$ 188,730	\$ 175,301	\$ 164,871
Covered payroll	550,520	473,632	502,527	479,954	534,204
Total pension liability as a percentage of covered payroll	74.17%	42.31%	37.58%	36.52%	30.86%

## Notes to schedules:

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

## **Supplementary Statements**



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 1 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Revenues:</b>			
Ad valorem taxes:			
Current year	\$ 2,209,557	\$ 2,264,071	\$ 54,514
Prior years	43,700	33,878	(9,822)
Penalties and interest	10,000	15,337	5,337
Discounts	-	26	26
Total ad valorem taxes	<u>2,263,257</u>	<u>2,313,313</u>	<u>50,056</u>
Other taxes and licenses:			
Unrestricted local option sales tax	<u>1,064,476</u>	<u>1,399,059</u>	<u>334,583</u>
Total other taxes and licenses	<u>1,064,476</u>	<u>1,399,059</u>	<u>334,583</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes -			
Valdese Housing Authority	19,000	22,743	3,743
Franchise tax	457,000	438,962	(18,038)
Alcohol/beverage tax	19,000	18,903	(97)
Occupancy taxes	32,500	29,943	(2,557)
Sales tax refunds	<u>(7,813)</u>	<u>(14,813)</u>	<u>(7,000)</u>
Total unrestricted intergovernmental revenues	<u>519,687</u>	<u>495,738</u>	<u>(23,949)</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 2 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues (Continued):</b>			
Restricted intergovernmental revenues:			
"State Street - Aid" allocation	\$ 144,500	\$ 135,606	\$ (8,894)
Total restricted intergovernmental revenues	<u>144,500</u>	<u>135,606</u>	<u>(8,894)</u>
Sales and services:			
Refuse collection fees	202,000	206,191	4,191
Recycling fees	44,200	45,028	828
Jail fees	1,500	914	(586)
Rent and miscellaneous fees	73,321	82,278	8,957
Valdese Community Center	324,350	146,209	(178,141)
Valdese Tourism Commission	400	1,350	950
Rock School fees	61,760	36,214	(25,546)
Community affairs	<u>18,600</u>	<u>7,926</u>	<u>(10,674)</u>
Total sales and services	<u>726,131</u>	<u>526,109</u>	<u>(200,022)</u>
Investment earnings:			
Interest on investments	<u>44,231</u>	<u>4,357</u>	<u>(39,874)</u>
Total investment earnings	<u>44,231</u>	<u>4,357</u>	<u>(39,874)</u>
Other revenues:			
Sale of fixed assets	-	71,140	71,140
Other	<u>173,938</u>	<u>280,709</u>	<u>106,771</u>
Total other revenues	<u>173,938</u>	<u>351,849</u>	<u>177,911</u>
Total revenues	<u>4,936,220</u>	<u>5,226,030</u>	<u>289,811</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 3 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and wages	\$ -	\$ 18,300	\$ -
FICA tax expense	-	907	-
Group insurance	-	35,594	-
Contingency	-	109,404	-
Miscellaneous	-	1,052	-
Total governing body	<u>181,209</u>	<u>165,258</u>	<u>15,951</u>
Administration:			
Salaries and wages	-	360,521	-
Professional services	-	29,212	-
FICA tax expense	-	27,214	-
Group insurance	-	50,026	-
Retirement	-	36,018	-
Telephone and postage	-	25,709	-
Utilities	-	7,422	-
Travel	-	9,237	-
Maintenance and repair - buildings and grounds	-	3,794	-
Maintenance and repair - equipment	-	2,244	-
Maintenance and repair - autos and trucks	-	40	-
Advertising	-	2,255	-
Auto supplies	-	110	-
Supplies and materials	-	9,528	-
Dues and subscriptions	-	10,417	-
Printing expense	-	2,399	-
Insurance and bonds	-	106,754	-
Contracted services	-	34,121	-

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 4 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Administration (continued):			
Burke County Public Library	\$ -	\$ 40,000	\$ -
Capital outlay	-	48,409	-
Debt service	-	88,878	-
Miscellaneous	-	79,893	-
Utility fund reimbursement	-	(583,664)	-
Total administration	<u>521,958</u>	<u>390,536</u>	<u>131,422</u>
Planning and zoning:			
Salaries and wages	-	35,014	-
Professional services	-	52,764	-
FICA tax expense	-	2,571	-
Advertising	-	356	-
Supplies and materials	-	437	-
Contracted services	-	3,400	-
Condeminations	-	7,791	-
Miscellaneous	-	337	-
Total planning and zoning	<u>121,284</u>	<u>102,671</u>	<u>18,613</u>
Public works:			
Salaries and wages	-	250,543	-
Professional services	-	279	-
FICA tax expense	-	18,284	-
Group insurance	-	54,890	-
Retirement	-	24,836	-
Utilities	-	9,032	-

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 5 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Public works (continued):			
Travel	\$ -	\$ 85	\$ -
Maintenance and repair - buildings and grounds	-	15,010	-
Maintenance and repair - equipment	-	2,554	-
Maintenance and repair - autos and trucks	-	690	-
Auto supplies	-	7,911	-
Supplies and materials	-	17,071	-
Chemicals	-	2,035	-
Uniforms	-	4,768	-
Contracted services	-	10,185	-
Arbor beautification	-	2,260	-
Miscellaneous	-	940	-
Utility fund reimbursement	-	(254,673)	-
Total public works	<u>266,143</u>	<u>166,701</u>	<u>99,442</u>
 Total general government	 <u>1,090,594</u>	 <u>825,167</u>	 <u>265,427</u>
 Public safety:			
Police department:			
Salaries and wages	-	624,397	-
FICA tax expense	-	46,170	-
Group insurance	-	108,580	-
Retirement	-	65,130	-
Deferred compensation	-	25,226	-
Professional services	-	5,816	-
Telephone and postage	-	5,255	-
Maintenance and repair - buildings and grounds	-	5,542	-
Maintenance and repair - equipment	-	2,241	-
Maintenance and repair - auto and trucks	-	16,409	-
Auto supplies	-	26,250	-
Supplies and materials	-	18,852	-
Uniforms	-	11,858	-
IT	-	12,521	-

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 6 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Police department (continued):			
Dues and subscriptions	\$ -	\$ 94	\$ -
Capital outlay	-	37,899	-
Printing	-	144	-
Contracted services	-	8,892	-
Debt service	-	18,470	-
Total police department	<u>1,071,461</u>	<u>1,039,744</u>	<u>31,717</u>
Fire department:			
Salaries and wages	-	415,702	-
FICA tax expense	-	31,119	-
Group insurance	-	61,618	-
Retirement	-	34,841	-
Professional services	-	1,635	-
Telephone and postage	-	418	-
Utilities	-	14,177	-
Travel	-	8,037	-
Maintenance and repair - buildings and grounds	-	5,292	-
Maintenance and repair - equipment	-	8,493	-
Maintenance and repair - autos and trucks	-	8,764	-
Auto supplies	-	4,653	-
Supplies and materials	-	35,879	-
Uniforms	-	8,114	-
Insurance and bonds	-	19,530	-
Dues and subscriptions	-	5,070	-
Printing	-	150	-
Capital outlay - equipment	-	44,974	-
Fire safety expense	-	4,024	-
IT	-	5,189	-
Contracted services	-	3,200	-
Debt service	-	79,669	-
Total fire department	<u>859,658</u>	<u>800,547</u>	<u>59,111</u>
Total public safety	<u>1,931,119</u>	<u>1,840,291</u>	<u>90,828</u>
			cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 7 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Environmental protection:			
Sanitation department:			
Salaries and wages	\$ -	\$ 30,349	\$ -
FICA tax expenses	-	2,282	-
Group insurance	-	8,251	-
Retirement	-	3,052	-
Maintenance and repair - equipment	-	171	-
Maintenance and repair - autos and trucks	-	387	-
Auto supplies	-	3,429	-
Supplies and materials	-	678	-
Uniforms	-	930	-
Contracted services	-	248,543	-
Miscellaneous	-	151	-
Total sanitation department	<u>308,619</u>	<u>298,223</u>	<u>10,396</u>
Total environmental protection	<u>308,619</u>	<u>298,223</u>	<u>10,396</u>

cont.



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 8 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Transportation:			
Street department:			
Salaries and wages	\$ -	\$ 113,570	\$ -
FICA tax expense	-	8,381	-
Group insurance	-	26,227	-
Retirement expense	-	11,444	-
Professional services	-	214	-
Travel expense	-	65	-
Utilities	-	64,784	-
Maintenance and repair - buildings and grounds	-	15,078	-
Maintenance and repair - equipment	-	7,653	-
Maintenance and repair - autos and trucks	-	6,089	-
Auto supplies	-	14,432	-
Supplies and materials	-	5,530	-
Chemicals	-	1,410	-
Uniforms	-	2,271	-
Contracted services	-	1,059	-
Capital outlay	-	325,000	-
Debt service	-	53,743	-
Total street department	<u>699,195</u>	<u>656,949</u>	<u>42,246</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 9 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures (Continued):</b>			
Powell Bill:			
Supplies and materials	\$ -	\$ 1,832	\$ -
Maintenance and repair	-	3,710	-
Capital outlay	-	100,609	-
Total Powell Bill	<u>144,500</u>	<u>106,151</u>	<u>38,349</u>
Total transportation	<u>843,695</u>	<u>763,100</u>	<u>80,595</u>
 Cultural and recreational:			
Recreation:			
Salaries and wages	-	332,665	-
FICA tax expense	-	24,854	-
Group insurance	-	51,562	-
Retirement	-	23,130	-
Telephone and postage	-	390	-
Utilities	-	83,035	-
Maintenance and repair - buildings and grounds	-	44,592	-
Maintenance and repair - equipment	-	10,468	-
Maintenance and repair - autos and trucks	-	757	-
Auto supplies	-	893	-
Supplies and materials	-	22,076	-
Chemicals	-	7,678	-
Purchases for resale	-	18,410	-
Dues and subscriptions	-	3,696	-
Swim team	-	1,226	-
Uniforms	-	860	-
Contracted services	-	29,627	-
Advertising	-	284	-
Capital outlay	-	13,811	-
Debt service	-	19,483	-
Professional services	-	5,924	-
Total recreation	<u>879,116</u>	<u>695,422</u>	<u>183,694</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2****Page 10 of 11****General Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2021**

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Community affairs:			
Salaries and wages	\$ -	\$ 151,165	\$ -
FICA tax expense	-	11,305	-
Group insurance	-	24,978	-
Retirement expense	-	14,344	-
Printing	-	4,166	-
Utilities	-	29,986	-
Supplies and materials	-	(3,273)	-
Telephone and postage	-	1,793	-
Maintenance and repair	-	23,151	-
Advertising	-	5,098	-
Contracted services	-	58,850	-
Dues and subscriptions	-	371	-
Main Street program	-	2,927	-
Valdese Tourism Commission	-	32,483	-
Rock School Arts Foundation	-	3,000	-
Festival	-	2,949	-
IT	-	328	-
Capital outlay	-	55,924	-
Concession stand trailer	-	2,378	-
Miscellaneous	-	6,538	-
Utility fund reimbursement	-	(261,663)	-
Total community affairs	<u>286,647</u>	<u>166,798</u>	<u>119,849</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 2, cont.****Page 11 of 11**

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

---

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total cultural and recreational	<u>\$ 1,165,762</u>	<u>\$ 862,220</u>	<u>\$ 303,542</u>
Total expenditures	<u>5,339,789</u>	<u>4,589,001</u>	<u>750,788</u>
Revenues over (under) expenditures	<u>(403,570)</u>	<u>637,029</u>	<u>1,040,599</u>
<b>Other Financing Sources (Uses):</b>			
Operating transfers - in (out)			
Capital project funds	(100,000)	(100,000)	-
Enterprise fund	221,000	221,000	-
Appropriated fund balance	<u>282,570</u>	<u>-</u>	<u>(282,570)</u>
Total other financing sources (uses)	<u>403,570</u>	<u>121,000</u>	<u>(282,570)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>758,028</u>	<u>\$ 758,028</u>
Fund balance, July 1		<u>4,528,448</u>	
Fund balance, June 30		<u>\$ 5,286,477</u>	

**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 3

Page 1 of 2

**Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	<b>Special Revenue Fund</b>	<b>Capital Project Funds</b>			
	<b>Public Art Fund</b>	<b>Water Plant Capital Project Fund</b>	<b>CDBG Scattered Sites Housing Fund</b>	<b>Alba Waldensian Building Demo Fund</b>	<b>Lakeside Park Phase I Project Fund</b>
<b><u>Assets</u></b>					
Current assets:					
Cash and investments	\$ 36,171	\$ 658,549	\$ -	\$ -	\$ 173,709
Total assets	<u>\$ 36,171</u>	<u>\$ 658,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,709</u>
<b><u>Liabilities and Fund Balances</u></b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	40,939	18,487	-
Total liabilities	<u>-</u>	<u>-</u>	<u>40,939</u>	<u>18,487</u>	<u>-</u>
Fund balance:					
Restricted:					
Town revitalization	36,171	-	-	-	-
Assigned:					
Capital projects	-	658,549	(40,939)	(18,487)	173,709
Total fund balance	<u>36,171</u>	<u>658,549</u>	<u>(40,939)</u>	<u>(18,487)</u>	<u>173,709</u>
Total liabilities and fund balances	<u>\$ 36,171</u>	<u>\$ 658,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,709</u>

**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 3  
Page 2 of 2

**Combining Balance Sheet  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	<b>Capital Project Funds</b>					<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Outlay Fund</b>	<b>Public Safety Building Project Fund</b>	<b>Lake Rhodhiss Capital Project Fund</b>	<b>Police Dept. Capital Project Fund</b>	<b>McGalliard Creek Bridge Fund</b>	
	<b>Fund</b>	<b>Project Fund</b>	<b>Project Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
<b><u>Assets</u></b>						
Current assets:						
Cash and investments	\$784,581	\$ 195,106	\$ 338,350	\$ 10,481	\$ 44,300	\$2,205,076
Total assets	<u>\$784,581</u>	<u>\$ 195,106</u>	<u>\$ 338,350</u>	<u>\$ 10,481</u>	<u>\$ 44,300</u>	<u>\$2,205,076</u>
<b><u>Liabilities and Fund Balances</u></b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	59,426
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,426</u>
Fund balance:						
Restricted:						
Town revitalization	-	-	-	-	-	36,171
Assigned:						
Capital projects	<u>784,581</u>	<u>195,106</u>	<u>338,350</u>	<u>10,481</u>	<u>44,300</u>	<u>2,145,650</u>
Total fund balance	<u>784,581</u>	<u>195,106</u>	<u>338,350</u>	<u>10,481</u>	<u>44,300</u>	<u>2,181,821</u>
Total liabilities and fund balances	<u>\$784,581</u>	<u>\$ 195,106</u>	<u>\$ 338,350</u>	<u>\$ 10,481</u>	<u>\$ 44,300</u>	<u>\$2,205,076</u>

**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 4  
Page 1 of 2

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	Special Revenue Fund	Capital Project Funds			
	Public Art Fund	Water Plant Capital Project Fund	CDBG Scattered Sites Housing Fund	Alba Waldensian Building Demo Fund	Lakeside Park Phase I Project Fund
<b>Revenues:</b>					
Other local revenues:					
Miscellaneous	\$ 20,000	\$ -	\$ -	\$ 7,350	\$ 60,666
Restricted intergovernmental revenues:					
Grants	-	-	139,795	-	-
Investment earnings:					
Interest earned	-	-	-	-	-
Total revenues	<u>20,000</u>	<u>-</u>	<u>139,795</u>	<u>7,350</u>	<u>60,666</u>
<b>Expenditures:</b>					
Public safety	-	-	-	-	-
Economic and physical development	<u>3,107</u>	<u>18,075</u>	<u>185,801</u>	<u>-</u>	<u>97,992</u>
Total expenditures	<u>3,107</u>	<u>18,075</u>	<u>185,801</u>	<u>-</u>	<u>97,992</u>
Revenues over (under) expenditures	<u>16,893</u>	<u>(18,075)</u>	<u>(46,006)</u>	<u>7,350</u>	<u>(37,326)</u>
<b>Other Financing Sources (Uses):</b>					
From (to) General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	16,893	(18,075)	(46,006)	7,350	(37,326)
Fund balances (deficit), beginning of year	<u>19,278</u>	<u>676,624</u>	<u>5,067</u>	<u>(25,837)</u>	<u>211,034</u>
Fund balances (deficit), end of year	<u>\$ 36,171</u>	<u>\$ 658,549</u>	<u>\$ (40,939)</u>	<u>\$ (18,487)</u>	<u>\$ 173,709</u>

**TOWN OF VALDESE, NORTH CAROLINA**

**Schedule 4  
Page 2 of 2**

**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances (Deficit)  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2021**

	<b>Capital Project Funds</b>						<b>Total Nonmajor Governmental Funds</b>
	<b>Capital Outlay Fund</b>	<b>Public Safety Building Project Fund</b>	<b>Lake Rhodhiss Capital Project Fund</b>	<b>Police Dept. Capital Project Fund</b>	<b>McGalliard Creek Bridge Fund</b>	<b>Total</b>	
<b>Revenue:</b>							
Other local revenues:							
Miscellaneous	\$ -	\$ 140,728	\$ -	\$ 4,229	\$ 51,000	\$ 263,973	\$ 283,973
Restricted intergovernmental revenues:							
Grants	-	-	-	-	-	139,795	139,795
Investment earnings:							
Interest earned	1,019	-	-	-	-	1,019	1,019
Total revenues	<u>1,019</u>	<u>140,728</u>	<u>-</u>	<u>4,229</u>	<u>51,000</u>	<u>404,787</u>	<u>424,787</u>
<b>Expenditures:</b>							
Public safety	-	115,206	-	-	-	115,206	115,206
Economic and physical development	-	-	276,489	-	6,700	585,057	588,164
Total expenditures	<u>-</u>	<u>115,206</u>	<u>276,489</u>	<u>-</u>	<u>6,700</u>	<u>700,263</u>	<u>703,370</u>
Revenues over (under) expenditures	<u>1,019</u>	<u>25,522</u>	<u>(276,489)</u>	<u>4,229</u>	<u>44,300</u>	<u>(295,476)</u>	<u>(278,583)</u>
<b>Other Financing Sources (Uses):</b>							
From (to) General Fund	-	100,000	-	-	-	100,000	100,000
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>1,019</u>	<u>125,522</u>	<u>(276,489)</u>	<u>4,229</u>	<u>44,300</u>	<u>(195,476)</u>	<u>(178,584)</u>
Fund balances (deficit), beginning of year	<u>783,562</u>	<u>69,584</u>	<u>614,839</u>	<u>6,252</u>	<u>-</u>	<u>2,341,125</u>	<u>2,360,403</u>
Fund balances (deficit), end of year	<u>\$ 784,581</u>	<u>\$ 195,106</u>	<u>\$ 338,350</u>	<u>\$ 10,481</u>	<u>\$ 44,300</u>	<u>\$ 2,145,650</u>	<u>\$ 2,181,821</u>



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-1****Lakeside Park Phase I Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Contributions	\$ 326,001	\$ 265,334	\$ 60,666	\$ 326,000
Restricted intergovernmental revenues:				
Grants	<u>594,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>920,946</u>	<u>265,334</u>	<u>60,666</u>	<u>326,000</u>
<b>Expenditures:</b>				
Administration	10,000	-	-	-
Engineering	48,000	36,000	12,000	48,000
Design	89,160	-	64,464	64,464
Survey	10,000	10,000	-	10,000
Construction	<u>763,786</u>	<u>8,300</u>	<u>21,528</u>	<u>29,828</u>
Total expenditures	<u>920,946</u>	<u>54,300</u>	<u>97,992</u>	<u>152,292</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 211,034</u>	<u>(37,326)</u>	<u>\$ 173,709</u>
Fund balance, beginning of year			<u>211,034</u>	
Fund balance, end of year			<u>\$ 173,709</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-2**

**Public Safety Building Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
ABC distributions	\$ 42,204	\$ -	\$ 140,728	\$ 140,728
Future loan	118,132	-	-	-
Total revenues	<u>160,336</u>	<u>-</u>	<u>140,728</u>	<u>140,728</u>
<b>Expenditures:</b>				
Professional services	37,204	-	17,074	17,074
Architect contract	475,017	30,416	-	30,416
Land acquisition	<u>98,132</u>	<u>-</u>	<u>98,132</u>	<u>98,132</u>
Total expenditures	<u>610,353</u>	<u>30,416</u>	<u>115,206</u>	<u>145,622</u>
Revenues over (under) expenditures	<u>(450,017)</u>	<u>(30,416)</u>	<u>25,522</u>	<u>(4,894)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in from General Fund	<u>450,017</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total other financing sources (uses)	<u>450,017</u>	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 69,584</u>	125,522	<u>\$ 195,106</u>
Fund balance, beginning of year			<u>69,584</u>	
Fund balance, end of year			<u>\$ 195,106</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-3**

**Public Art Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Contributions	\$ 10,000	\$ 30,476	\$ 20,000	\$ 50,476
Restricted intergovernmental revenues:				
Grants	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>54,000</u>	<u>30,476</u>	<u>20,000</u>	<u>50,476</u>
<b>Expenditures:</b>				
Display	10,000	2,516	-	2,516
Public art	<u>60,600</u>	<u>25,282</u>	<u>3,107</u>	<u>28,389</u>
Total expenditures	<u>70,600</u>	<u>27,798</u>	<u>3,107</u>	<u>30,905</u>
Revenues over (under) expenditures	<u>(16,600)</u>	<u>2,678</u>	<u>16,893</u>	<u>19,571</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in from General Fund	<u>16,600</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Total other financing sources (uses)	<u>16,600</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 19,278</u>	16,893	<u>\$ 36,171</u>
Fund balance, beginning of year			<u>19,278</u>	
Fund balance, end of year			<u>\$ 36,171</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-4****Water Plant Capital Project Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Investment earnings	\$ -	\$ 67,854	\$ -	\$ 67,854
<b>Expenditures:</b>				
Professional services	-	80	-	80
Repairs and maintenance	-	27,170	-	27,170
Total expenditures	-	27,250	-	27,250
Revenues over (under) expenditures	-	40,604	-	40,604
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in (out):				
From (to) Utility Fund	30,000	636,019	(18,075)	617,944
To Capital Projects	(30,000)	-	-	-
Total other financing sources (uses)	-	636,019	(18,075)	617,944
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 676,624	(18,075)	\$ 658,549
Fund balance, beginning of year			676,624	
Fund balance, end of year			\$ 658,549	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-5****Capital Outlay Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Investment earnings	\$ 275,000	\$ 1,019	\$(273,981)
<b>Expenditures</b>	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	1,019	<u>\$ 1,019</u>
Fund balance, beginning of year		<u>783,562</u>	
Fund balance, end of year		<u>\$ 784,581</u>	

**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 4-6

**Lake Rhodhiss Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Other local revenues:				
Town of Drexel	\$ 133,400	\$ 81,108	\$ -	\$ 81,108
Burke County	106,800	62,421	-	62,421
Total other local revenues	240,200	143,529	-	143,530
Investment earnings	-	513,868	-	513,868
Total revenues	240,200	657,397	-	657,398
<b>Expenditures:</b>				
Maintenance and repair	32,000	-	32,000	32,000
Miscellaneous	-	13,715	-	13,715
Capital outlay	27,900	-	27,900	27,900
Total expenditures	59,900	13,715	59,900	73,615
Revenues over (under) expenditures	180,300	643,682	(59,900)	583,783
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in (out):				
To Utility Fund	(1,940,100)	(399,691)	(216,589)	(616,280)
From Utility Fund	1,759,800	974,691	-	974,691
To General Fund	-	(728,845)	-	(728,845)
From Capital Projects	-	125,000	-	125,000
Total other financing sources (uses)	(180,300)	(28,845)	(216,589)	(245,434)
Revenues and other sources over (under) expenditures and other uses	\$ -	\$ 614,839	(276,489)	\$ 338,350
Fund balance, beginning of year			614,839	
Fund balance, end of year			\$ 338,350	

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**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 4-7

**Police Department Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental revenues:				
Drug abuse funds	\$ 10,000	\$ 10,968	\$ 4,229	\$ 15,197
Investment earnings:				
Interest earned	<u>-</u>	<u>404</u>	<u>-</u>	<u>404</u>
Total revenues	<u>10,000</u>	<u>11,372</u>	<u>4,229</u>	<u>15,601</u>
<b>Expenditures:</b>				
Repairs and maintenance	10,000	1,290	-	1,290
Capital outlay - equipment	<u>88,300</u>	<u>81,863</u>	<u>-</u>	<u>81,863</u>
Total expenditures	<u>98,300</u>	<u>83,153</u>	<u>-</u>	<u>83,153</u>
Revenues over (under) expenditures	<u>(88,300)</u>	<u>(71,781)</u>	<u>4,229</u>	<u>(67,552)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in (out)				
From General Fund	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Total other financing sources (uses)	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 6,252</u>	4,229	<u>\$ 10,481</u>
Fund balance, beginning of year			<u>6,252</u>	
Fund balance, end of year			<u>\$ 10,481</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-8****McGalliard Creek Bridge  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Contributions	\$ 51,000	\$ -	\$ 51,000	\$ 51,000
Total revenues	<u>51,000</u>	<u>-</u>	<u>51,000</u>	<u>51,000</u>
<b>Expenditures:</b>				
Professional services	43,000	-	6,700	6,700
NCFMP review fee	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>51,000</u>	<u>-</u>	<u>6,700</u>	<u>6,700</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	44,300	<u>\$ 44,300</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 44,300</u>	



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-9****CDBG Scattered Sites Housing Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Restricted intergovernmental revenues:				
CDBG grant	\$ 350,600	\$ 8,261	\$ 139,795	\$ 148,056
Total revenues	<u>350,600</u>	<u>8,261</u>	<u>139,795</u>	<u>148,056</u>
<b>Expenditures:</b>				
Administration	31,800	18,983	10,689	29,672
Rehabilitation	<u>343,800</u>	<u>9,211</u>	<u>175,112</u>	<u>184,323</u>
Total expenditures	<u>375,600</u>	<u>28,194</u>	<u>185,801</u>	<u>213,995</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(19,933)</u>	<u>(46,006)</u>	<u>(65,939)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in from General Fund	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 5,067</u>	<u>(46,006)</u>	<u>\$ (40,939)</u>
Fund balance, beginning of year			<u>5,067</u>	
Fund balance, end of year			<u>\$ (40,939)</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 4-10****Alba Waldensian Building Demo Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)**  
**Budget and Actual**  
**From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Valdese recycling	\$ -	\$ -	\$ 7,350	\$ 7,350
CDBG grant	500,000	-	-	-
Total revenues	<u>500,000</u>	<u>-</u>	<u>7,350</u>	<u>7,350</u>
<b>Expenditures:</b>				
Administration	25,000	24,980	-	24,980
Professional services	-	857	-	857
Demolition	<u>650,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>675,000</u>	<u>25,837</u>	<u>-</u>	<u>25,837</u>
Revenues over (under) expenditures	<u>(175,000)</u>	<u>(25,837)</u>	<u>7,350</u>	<u>(18,487)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers - in from General Fund	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (25,837)</u>	7,350	<u>\$ (18,487)</u>
Fund balance (deficit), beginning of year			<u>(25,837)</u>	
Fund balance (deficit), end of year			<u>\$ (18,487)</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5****Utility Fund  
Statement of Revenues - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating revenues:			
Charges for services:			
Water charges	\$ 2,379,239	\$ 2,708,921	\$ 329,682
Wastewater charges	1,199,950	1,027,966	(171,984)
Contract sales	<u>733,530</u>	<u>852,709</u>	<u>119,179</u>
Total charges for services	<u>4,312,719</u>	<u>4,589,596</u>	<u>276,877</u>
Other operating revenues:			
Tap and connection fees	9,900	43,340	33,440
Long term monitoring fees	18,500	18,500	-
Utility bill penalties	48,500	72,453	23,953
Meter usage charge	601,296	388,776	(212,520)
Reconnection fees	<u>23,000</u>	<u>17,680</u>	<u>(5,320)</u>
Total other operating revenues	<u>701,196</u>	<u>540,750</u>	<u>(160,446)</u>
Total operating revenues	<u>5,013,915</u>	<u>5,130,346</u>	<u>116,431</u>
Nonoperating revenues:			
Interest on investments	8,500	222	(8,278)
Rent-nonoperating property	1,800	1,800	-
Sale of fixed assets	-	185,968	185,968
Miscellaneous	-	3,325	3,325
Fund balance appropriated	<u>160,394</u>	<u>-</u>	<u>(160,394)</u>
Total nonoperating revenues	<u>170,694</u>	<u>191,314</u>	<u>20,620</u>
Total revenues	<u>\$ 5,184,609</u>	<u>\$ 5,321,660</u>	<u>\$ 137,052</u>

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-1****Page 1 of 4****Utility Fund**  
**Statement of Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
<b>Expenditures:</b>			
Administration:			
General Fund - administrative services:			
Reimbursement	\$ 1,119,390	\$ 1,114,856	\$ 4,534
Total administration	<u>1,119,390</u>	<u>1,114,856</u>	<u>4,534</u>
Water and supply treatment:			
Salaries and wages	-	385,442	-
Professional services	-	899	-
FICA tax expense	-	28,769	-
Group insurance	-	73,844	-
Retirement	-	39,194	-
Telephone and postage	-	1,009	-
Utilities	-	206,675	-
Travel	-	170	-
Maintenance and repair - building and grounds	-	18,728	-
Maintenance and repair - equipment	-	12,829	-
Maintenance and repair - autos and trucks	-	27	-
Auto and truck supplies	-	2,363	-
Supplies and materials	-	17,038	-
Chemicals	-	57,251	-
Contracted services	-	3,738	-
Dues and subscriptions	-	9,994	-
Laboratory supplies	-	14,582	-
Water testing	-	7,015	-
Insurance and bonds	-	24,342	-

cont.

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**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 5-1

Page 2 of 4

**Utility Fund****Statement of Expenditures - Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Water and supply treatment (continued):			
Safety	\$ -	\$ 3,031	\$ -
Bad debt	-	2,717	-
Economic incentives	-	118,127	-
Total water supply and treatment	<u>1,175,622</u>	<u>1,027,784</u>	<u>147,838</u>
Waste water treatment:			
Salaries and wages	-	362,577	-
Professional services	-	80	-
FICA tax expense	-	27,030	-
Group insurance	-	72,805	-
Retirement	-	36,899	-
Telephone and postage	-	2,479	-
Utilities	-	255,433	-
Travel	-	5,317	-
Maintenance and repair - buildings and grounds	-	102,242	-
Maintenance and repair - equipment	-	11,354	-
Maintenance and repair - autos and trucks	-	177	-
Auto and truck supplies	-	2,198	-
Laboratory supplies	-	7,484	-
Insurance bonds	-	28,000	-
Supplies and materials	-	6,036	-
Chemicals	-	41,745	-
Uniforms	-	3,131	-
Contracted services	-	12,116	-
Long term monitoring	-	17,399	-
Dues and subscriptions	-	8,010	-
Wood chips	-	40,040	-
Safety	-	1,500	-
Economic incentives	-	10,000	-
Total waste water treatment	<u>1,184,978</u>	<u>1,054,053</u>	<u>130,925</u>

cont.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-1****Page 3 of 4****Utility Fund  
Statement of Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures (Continued):</b>			
Water and sewer maintenance:			
Salaries and wages	\$ -	\$ 325,897	\$ -
Professional services	-	56,531	-
Travel expense	-	2,287	-
FICA tax expense	-	23,668	-
Group insurance	-	69,913	-
Retirement	-	32,291	-
Maintenance and repair - buildings and grounds	-	48,896	-
Maintenance and repair - equipment	-	4,121	-
Maintenance and repair - autos and trucks	-	2,615	-
Auto and truck supplies	-	8,319	-
Supplies and materials	-	52,771	-
Contracted services	-	71,166	-
Utilities	-	23,736	-
Uniforms	-	6,350	-
Insurance and bonds	-	28,612	-
Meters	-	1,084	-
Miscellaneous expense	-	3,226	-
Total water and sewer maintenance	<u>874,897</u>	<u>761,482</u>	<u>113,415</u>
 Budgetary appropriations:			
Capital outlay-waste water treatment plant	45,000	-	45,000
Capital outlay-water supply and treatment	45,000	24,636	20,364
Capital outlay-water and sewer maintenance	141,234	111,805	29,429
Payment on debt principal	223,372	288,394	(65,022)
Interest and fees	154,116	64,808	89,308
Transfers	<u>221,000</u>	<u>221,000</u>	-
Total budgetary appropriations	<u>829,722</u>	<u>710,643</u>	<u>119,079</u>
 Total expenditures	<u>\$ 5,184,609</u>	<u>\$ 4,668,817</u>	<u>\$ 515,793</u>

Note: Prepared on the Budgetary Basis which is modified accrual.

cont.

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**TOWN OF VALDESE, NORTH CAROLINA**

Schedule 5-1,cont.

Page 4 of 4

**Utility Fund****Statement of Expenditures - Budget and Actual (Non-GAAP)****For the Year Ended June 30, 2021**

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	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Reconciliation from Budgetary Basis (Modified Accrual Basis) to Full Accrual Basis:</b>			
Total revenues on Schedule 5		\$ 5,321,660	
Total expenditures on Schedule 5-1		<u>4,668,817</u>	
Revenues over (under) expenditures		652,843	
Budgetary appropriations (above):			
Payment of debt principal		288,394	
Adjustment for contributed capital		2,049,398	
Capital outlay		136,441	
Increase (decrease) in inventory		(52,177)	
(Increase) decrease in accrued vacation pay		(11,652)	
(Increase) decrease in other postemployment benefits		(33,691)	
Increase (decrease) in deferred outflows - OPEB		17,424	
(Increase) decrease in deferred inflows - OPEB		4,629	
(Increase) decrease in net pension liability		(148,786)	
Increase (decrease) in deferred outflows - pension		63,268	
(Increase) decrease in deferred inflows - pension		2,544	
Depreciation		<u>(1,120,935)</u>	
Change in net position (Exhibit 9)		<u>\$ 1,847,699</u>	

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-2**

**Utility Capital Projects Fund  
Sewer Collection System Assessment  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
State grant	\$ 150,000	\$ 22,694	\$ 29,768	\$ 52,462
Total revenues	<u>150,000</u>	<u>22,694</u>	<u>29,768</u>	<u>52,462</u>
<b>Expenditures:</b>				
Engineering	71,725	31,626	31,747	63,373
Contracted services	78,275	-	46,862	46,862
Miscellaneous	<u>15,000</u>	<u>4,885</u>	<u>-</u>	<u>4,885</u>
Total expenditures	<u>165,000</u>	<u>36,511</u>	<u>78,608</u>	<u>115,119</u>
Revenues over (under) expenditures	<u>(15,000)</u>	<u>(13,817)</u>	<u>(48,840)</u>	<u>(62,657)</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Utility Fund	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (13,817)</u>	<u>\$ (48,840)</u>	<u>\$ (62,657)</u>



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-3**

**Utility Capital Projects Fund  
Cline Avenue Basin & Pump Station  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Engineering	22,000	-	7,500	7,500
Design	89,000	-	-	-
Bidding and award	7,000	-	-	-
Construction administration	72,000	-	-	-
Planning and funding administration	20,000	-	-	-
Loan closing fee	23,520	-	-	-
Legal/administration	5,000	-	-	-
Construction	961,000	-	-	-
Total expenditures	1,199,520	-	7,500	7,500
Revenues over (under) expenditures	(1,199,520)	-	(7,500)	(7,500)
<b>Other Financing Sources (Uses):</b>				
Utility fund contributions	23,520	-	-	-
SRP loan	1,176,000	-	-	-
Total other financing sources	1,199,520	-	-	-
Unexpended revenues and receipts	\$ -	\$ -	\$ (7,500)	\$ (7,500)

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-4**

**Utility Capital Projects Fund  
Water Plant Upgrades  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Engineering	88,000	57,887	7,020	64,907
Loan administration	40,000	-	6,300	6,300
NCDEQ Loan administration	20,841	-	-	-
ER/EID preparation	26,224	1,770	8,230	10,000
Construction	875,856	-	85,898	85,898
Contingency	43,793	-	-	-
Total expenditures	1,094,714	59,657	107,448	167,105
Revenues over (under) expenditures	(1,094,714)	(59,657)	(107,448)	(167,105)
<b>Other Financing Sources (Uses):</b>				
DWSRF principal forgiveness loan	210,692	-	-	-
DESRF loan	884,022	-	-	-
Total other financing sources	1,094,714	-	-	-
Unexpended revenues and receipts	\$ -	\$ (59,657)	\$ (107,448)	\$ (167,105)

---

**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-5****Utility Capital Projects Fund  
Water System Improvements  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Engineering	60,000	60,000	-	60,000
Loan administration	15,000	9,928	5,072	15,000
NCDEQ Loan administration	18,662	17,976	686	18,662
Permit fees and advertising	750	395	355	750
Construction administration	15,000	7,897	4,414	12,311
Construction observation	19,314	8,004	9,275	17,279
Engineering & environmental report	10,000	10,000	-	10,000
Land surveying	10,000	10,000	-	10,000
Construction	731,481	405,454	326,027	731,481
Contingencies	76,274	-	76,275	76,275
Total expenditures	956,481	529,652	422,104	951,756
Revenues over (under) expenditures	(956,481)	(529,652)	(422,104)	(951,756)
<b>Other Financing Sources (Uses):</b>				
DWSRF principal forgiveness loan	500,000	311,342	188,658	500,000
DESRF loan	438,505	-	433,095	433,095
Transfer from Utility Fund	17,976	-	18,661	18,661
Total other financing sources	956,481	311,342	640,414	951,756
Unexpended revenues and receipts	\$ -	\$ (218,310)	\$ 218,310	\$ -

This project was completed and capitalized during the year ending June 30, 2021.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-6****Utility Capital Projects Fund  
Water Meter Replacement  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grants	\$ 566,347	\$ 486,482	\$ 79,865	\$ 566,347
Total revenues	<u>566,347</u>	<u>486,482</u>	<u>79,865</u>	<u>566,347</u>
<b>Expenditures:</b>				
Administration	326,774	222,843	44,311	267,154
Construction	<u>2,147,970</u>	<u>1,852,123</u>	<u>230,479</u>	<u>2,082,602</u>
Total expenditures	<u>2,474,744</u>	<u>2,074,966</u>	<u>274,790</u>	<u>2,349,756</u>
Revenues over (under) expenditures	<u>(1,908,397)</u>	<u>(1,588,484)</u>	<u>(194,925)</u>	<u>(1,783,409)</u>
<b>Other Financing Sources (Uses):</b>				
Loan closing fee	44,358	-	21,172	21,172
SRP loan	<u>1,864,039</u>	<u>1,459,444</u>	<u>302,793</u>	<u>1,762,237</u>
Total other financing sources	<u>1,908,397</u>	<u>1,459,444</u>	<u>323,965</u>	<u>1,783,409</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (129,040)</u>	<u>\$ 129,040</u>	<u>\$ -</u>

This project was completed and capitalized during the year ending June 30, 2021.

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-7**

**Utility Capital Projects Fund  
Water Distribution System Assessment  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grant	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Expenditures:</b>				
Professional services	150,000	-	-	-
Grant fee	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>152,250</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(2,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses):</b>				
Town contributions	<u>2,250</u>	<u>-</u>	<u>2,250</u>	<u>2,250</u>
Total other financing sources	<u>2,250</u>	<u>-</u>	<u>2,250</u>	<u>2,250</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,250</u>	<u>\$ 2,250</u>

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-8**

**Utility Capital Projects Fund  
Water Plant Bleach Conversion  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

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	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Grants	\$ 164,575	\$ -	\$ 164,575	\$ 164,575
Total revenues	<u>164,575</u>	<u>-</u>	<u>164,575</u>	<u>164,575</u>
<b>Expenditures:</b>				
Engineering	47,300	47,200	-	47,200
Loan administration	16,000	3,550	7,150	10,700
NCDEQ Loan administration	16,837	-	16,837	16,837
Construction administration	40,100	-	40,100	40,100
ER/EID preparation	18,000	18,000	-	18,000
Construction	<u>761,573</u>	<u>-</u>	<u>651,135</u>	<u>651,135</u>
Total expenditures	<u>899,810</u>	<u>68,750</u>	<u>715,222</u>	<u>783,972</u>
Revenues over (under) expenditures	<u>(735,235)</u>	<u>(68,750)</u>	<u>(550,647)</u>	<u>(619,397)</u>
<b>Other Financing Sources (Uses):</b>				
State reserve loan	718,398	-	596,461	596,461
Transfer from Utility Fund	<u>16,837</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>735,235</u>	<u>-</u>	<u>596,461</u>	<u>596,461</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (68,750)</u>	<u>\$ 45,814</u>	<u>\$ (22,936)</u>

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 5-9**

**Utility Capital Projects Fund  
Main Street Water Line Replacement  
Statement of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and for the Year Ended June 30, 2021**

---

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
<b>Revenues:</b>				
Total revenues	\$ -	\$ -	\$ -	\$ -
<b>Expenditures:</b>				
Engineering	214,000	180,500	-	180,500
Loan administration	28,000	11,779	12,900	24,679
NCDEQ Loan administration	54,178	-	54,178	54,178
Construction administration	143,000	-	141,900	141,900
ER/EID preparation	35,000	30,000	-	30,000
Construction	2,088,886	-	1,899,385	1,899,385
Contingencies	200,000	-	-	-
Total expenditures	2,763,064	222,279	2,108,364	2,330,643
Revenues over (under) expenditures	(2,763,064)	(222,279)	(2,108,364)	(2,330,643)
<b>Other Financing Sources (Uses):</b>				
DWSRF principal forgiveness loan	925,936	-	925,936	925,936
DESRF loan	1,782,950	-	1,019,223	1,019,223
Transfer from Utility Fund	54,178	55,659	-	55,659
Total other financing sources	2,763,064	55,659	1,945,159	2,000,818
Unexpended revenues and receipts	\$ -	\$ (166,620)	\$ (163,205)	\$ (329,825)

## **Other Schedules**

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



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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 6****Schedule of Ad Valorem Taxes Receivable  
June 30, 2021**

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<u>Fiscal Year</u>	<u>July 1, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>June 30, 2021</u>
2020 - 2021	\$ -	\$ 2,316,226	\$2,265,668	\$ 50,558
2019 - 2020	47,788	-	16,911	30,877
2018 - 2019	21,720	-	4,550	17,170
2017 - 2018	16,850	-	3,306	13,544
2016 - 2017	13,753	-	2,101	11,652
2015 - 2016	10,119	-	1,892	8,227
2014 - 2015	7,154	-	2,266	4,888
2013 - 2014	31,684	-	5,916	25,768
2012 - 2013	14,762	-	2,255	12,507
2011 - 2012	11,697	-	2,991	8,706
2010 - 2011	9,447	-	9,447	-
Total	<u>\$ 184,974</u>	<u>\$ 2,316,226</u>	<u>\$2,317,303</u>	183,897
Less allowance for uncollectibles				<u>(56,000)</u>
Balance				<u>\$ 127,897</u>
<b>Reconciliation With Revenues:</b>				
Ad valorem taxes - General Fund (Schedule 2)				\$ 2,313,107
Releases				12,657
Amount written off per statute of limitation				<u>6,696</u>
Subtotal				2,332,460
Less penalties and interest collected				<u>(15,157)</u>
Total collections and credits				<u>\$ 2,317,303</u>

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**TOWN OF VALDESE, NORTH CAROLINA****Schedule 7****Schedule of Analysis of Current Year Tax Levy  
June 30, 2021**

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	<b>Town - wide</b>			<b>Total Levy</b>	
	<b><u>Property Valuation</u></b>	<b><u>Rate</u></b>	<b><u>Total Levy</u></b>	<b><u>Property Excluding Registered Motor Vehicles</u></b>	<b><u>Registered Motor Vehicles</u></b>
Original levy:					
Property taxes at current year's rate	\$ 424,877,982	0.545	\$ 2,315,586	\$ 2,113,052	\$ 202,534
Late lists	-		640	640	-
Total	<u>\$ 424,877,982</u>		<u>2,316,226</u>	<u>2,113,692</u>	<u>202,534</u>
Net levy			2,316,226	2,113,692	202,534
Less uncollected taxes at June 30, 2021			<u>50,558</u>	<u>50,558</u>	<u>-</u>
Current year's taxes collected			<u>\$ 2,265,668</u>	<u>\$ 2,063,134</u>	<u>\$ 202,534</u>
Current levy collection percentage			<u>97.81</u>	<u>97.60</u>	<u>100.00</u>

**Compliance  
Section**

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**Lowdermilk Church & Co., L.L.P.**  
***Certified Public Accountants***

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Valdese, North Carolina as of, and for, the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the Town of Valdese, North Carolina's basic financial statements, and have issued our report thereon dated November 19, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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



Morganton, North Carolina  
November 19, 2021

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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121 N. Sterling Street  
Morganton, North Carolina 28655  
Phone: (828) 433-1226  
Fax: (828) 433-1230

**Independent Auditors' Report On Compliance For Each Major State Program  
And On Internal Control Over Compliance Required By The Uniform Guidance  
And The State Single Audit Implementation Act**

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

**Report on Compliance for Each Major State Program**

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

**Management's Responsibility**

Management is responsible for compliance with the requirements of State statutes, regulations, and the terms and conditions of its State awards applicable to its State programs.

**Auditors' Responsibility**

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

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



## Opinion on Each Major State Program

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

## Report on Internal Control over Compliance

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

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

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

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

Handwritten signature of Louis Smith in cursive script.

Morganton, North Carolina  
November 19, 2021

Schedule of Findings and Responses  
For the Year Ended June 30, 2021

**Section I. Summary of Auditors' Results****Financial Statements**

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

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u>  X  </u> no
Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted	_____ yes	<u>  X  </u> no

**Federal Awards**

Internal control over major federal programs:

• Material weakness(es) identified:	_____ yes	<u>  X  </u> no
• Significant deficiency(ies) identified?	_____ yes	<u>  X  </u> none reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes	<u>  X  </u> no
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Identification of major federal programs:

No major federal programs

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

Auditee qualified as low-risk auditee?	_____ yes	<u>  X  </u> no
--	-----------	-----------------

cont.

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**Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**State Awards**

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ noSignificant deficiency(ies) identified? ☐ yes ☒ none reportedType of auditors' report issued on compliance  
for major State programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act?☐ yes ☒ no

Identification of major State programs:

Program Name

DWSRF Loan Main Street Water

**Section II. Financial Statement Findings**

None reported.

cont.

**Schedule of Findings and Responses  
For the Year Ended June 30, 2021**

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**Section III. Federal Award Findings and Responses**

None reported.

**Section IV. State Award Findings and Responses**

None reported.



# TOWN OF VALDESE

NORTH CAROLINA'S FRIENDLY TOWN

P.O. BOX 339

VALDESE, NORTH CAROLINA 28690-0339

PHONE (828) 879-2120 | FAX (828) 879-2139 | TOWNOFVALDESE.COM

## **Corrective Action Plan For the Year Ended June 30, 2021**

### **Section II. Financial Statement Findings**

None reported.

### **Section III. Federal Award Findings and Responses**

None reported.

### **Section IV. State Award Findings and Responses**

None reported.

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**TOWN OF VALDESE NORTH CAROLINA**

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2021**

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No findings reported.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2021**

<u>Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Passed-through to Subrecipients</u>
<b>Federal Awards:</b>					
<b>Cash Programs:</b>					
<u>U. S. Department of Housing and Urban Development</u>					
Passed-through N. C. Department of Commerce:					
Community Development Block Grant, State's Program	14.228	17-C-2986	\$185,801	\$ -	\$ -
<u>U. S. Department of Treasury</u>					
Passed-through the N. C. Office of Management and Budget,					
N. C. Pandemic Recovery Office:					
Coronavirus Relief Fund	21.019	XXXX	<u>124,380</u>	<u>-</u>	<u>-</u>
Total assistance - federal programs			<u>310,181</u>	<u>-</u>	<u>-</u>
<b>State Grants:</b>					
<b>Cash Assistance:</b>					
<u>N. C. Department of Environmental Quality:</u>					
SRP loan water meter replacement		H-SRP-D-17-0096	-	274,790	-
SRP loan water plant bleach conversion		H-SRP-D-18-0163	-	164,575	-
DESRF loan water system improvement		WIF 1933	-	422,104	-
State reserve loan water plant bleach conversion		H-SRP-D-18-0163	-	550,647	-
DWSRF loan water plant upgrades		H-SRP-D-17-0151	-	107,448	-
DWSRF loan main street water line		WIF1955	-	2,108,363	-
AIA Grant		E-ALA-W-19-0174	-	<u>78,608</u>	-
Total N. C. Department of Environmental Quality			-	<u>3,706,535</u>	-
<u>N. C. Department of Transportation:</u>					
Powell Bill		38570	-	<u>135,606</u>	-

cont.

**Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2021**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to Subrecipients</u>
Total assistance - State programs			\$ -	\$3,842,141	\$ -
Total assistance			\$310,181	\$3,842,141	\$ -

Notes to the Schedule of Expenditures of Federal and State Awards:

**Note 1: Basis of Presentation**

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

**Note 2: Summary of Significant Accounting Policies**

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

**Note 3: Indirect Cost Rate**

Town of Valdese, North Carolina has elected not to use the 10-percent de minimus indirect cost rate as allowed under the Uniform Guidance.