# TOWN OF TRYON,
# NORTH CAROLINA

## FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2022

# TOWN OF TRYON, NORTH CAROLINA

# LISTING OF PRINCIPAL OFFICIALS AND TOWN STAFF

# YEAR ENDED JUNE 30, 2022

Established

1885

TOWN COUNCIL

Mayor – Alan Peoples

Mayor Pro-Tem – Chrelle Booker

Crys Armbrust

Bill Crowell

Bill Ingham

TOWN STAFF

Town Manager – Jim Fatland, NCCLGFO, CPFO

Town Clerk – Susan Bell, CMC

Planning Director – Tim Daniels

TDDA Executive Director – Michelle Newman

Public Works Director – Greg McCool (Interim)

Chief of Police – Randall Hodge

Fire Chief – Josh Walton

**TOWN OF TRYON, NORTH CAROLINA**

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# INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Tryon, North Carolina

**Report on the Audit of Financial Statements**

***Opinions***

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, and each major fund of the Town, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Change in Accounting Principle***

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2022 the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 87 "*Leases"*. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.
The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 March 13, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 13, 2023

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As management of the Town of Tryon ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2022 ("2022" or "FY 2022") compared to the year ended June 30, 2021 ("2021" or "FY 2021"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole, with an emphasis on the Primary Government (which excludes the Town's discretely presented component units – the Town of Tryon ABC Board ("ABC Board") and the Town of Tryon Tourism Development Authority ("Authority"). We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and the notes to the financial statements to enhance their understanding of the Town's overall financial performance.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately $8,921,000 (total net position for the Primary Government).
- The Town's total net position for FY 2022 increased by approximately $615,000 over the prior year balance due to an increase in the net position of the governmental activities of approximately $78,000 and business-type activities of approximately $537,000.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately $2,245,000, an increase of approximately $115,000 or 5% from the prior year fund balance. The increase is due to revenues of approximately $3,106,000 exceeding expenditures and net other financing uses of approximately $2,991,000.
- At the end of the current fiscal year, unassigned fund balance for all governmental funds was approximately $1,352,000. The unassigned fund balance for the General Fund is approximately $1,352,000 which is 72% of total General Fund actual expenditures for the current fiscal year.
- The Town adopted Governmental Accounting Standards Board ("GASB") Statement No. 87 "*Leases*" ("GASB #87") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 has resulted in no impact of the Town's fund balance/net position but has resulted in the addition of a lease receivable and corresponding deferred inflow of resources on the Town's governmental funds and government-wide financial statements of approximately $19,000 as of June 30, 2022.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's annual financial statements consist of two parts – the Financial Section (which includes MD&A, the financial statements, the required supplementary information, and the supplementary information) and the Compliance Section.

### Financial Statements

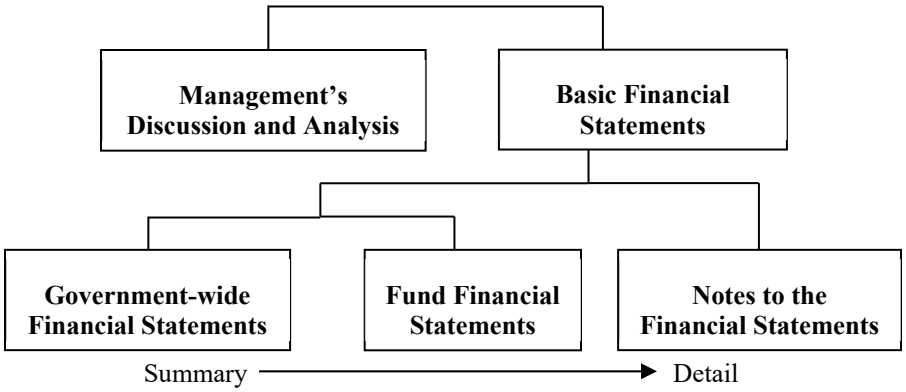
This MD&A is intended to serve as an introduction to the Town's financial statements. The Town's financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The financial statements present 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Financial Statements (Continued)

**Required Components of Annual Financial Report**

**Figure 1**




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

The next set of statements are ***Fund Financial Statements***. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three 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, **required supplementary information** and **supplementary information** are provided to show details about the Town's retirement plans, and 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: (1) governmental activities, (2) business-type activities, and (3) component units. The governmental activities program revenues and general revenues finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer and sanitation activities offered by the Town. The final category is the component units. Although legally separate from the Town, the ABC Board is important to the Town because the Town exercises control over the ABC Board by appointing its members. The ABC Board is required by North Carolina General Statute 18B to distribute its surpluses to the General Fund and Harmon Field Fund of the Town. Although legally separate from the Town, the Authority is important to the Town because the Town exercises control over the Authority's Board by appointing its members. The Authority's Board is required by North Carolina law to govern the use of the Town's Occupancy Tax Revenue.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Government-wide Financial Statements (Continued)

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the general statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for essentially the same 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Governmental funds are reported using an accounting method called *modified accrual accounting* that 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 an integral part of the fund financial statements.

The Town adopts annual budgets for its General Fund, Fire Department Fund, Harmon Field Fund, and the ARPA Fund, as required by the general statutes (all of which are major funds). Each 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 Council 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 statements provided demonstrate how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budgets were adopted. The budgetary comparison statements use the budgetary basis of accounting and is presented using the same format, language and classifications as the legal budget document. The statements show four columns: 1) the original budget as adopted by the Council; 2) the final budget as amended by the Council; 3) the actual resources, charges to appropriations, and ending balances; and 4) the difference or variance between the final budget and the actual resources and charges. If there are any differences between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities would be shown at the end of the budgetary statements.

**Proprietary Funds** – The Town utilizes one type of proprietary fund known as an enterprise fund. ***Enterprise Funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The Town uses enterprise funds to account for its water and sewer and its sanitation operations. These funds are 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. Note disclosure requirements apply only to material items and should focus on the primary government – specifically its governmental and business-type activities, major funds and non-major funds in the aggregate (if applicable). The ***Notes to the Financial Statements*** can be found as listed in the table of contents 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's progress in funding its obligation to provide pension benefits to its employees. Required Supplementary Information ("RSI") is mandated by the GASB and can be found as listed in the table of contents of this report. Supplementary information is presented immediately following the required supplementary information and can be found as listed in the table of contents.

**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

### Town's Net Position

### Figure 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets: | | | | | | |
| Current and Other Assets | $ 2,426,823 | 2,334,094 | 601,729 | 120,355 | 3,028,552 | $ 2,454,449 |
| Capital Assets | 3,674,683 | 3,792,953 | 5,601,589 | 5,763,137 | 9,276,272 | 9,556,090 |
| Total Assets | 6,101,506 | 6,127,047 | 6,203,318 | 5,883,492 | 12,304,824 | 12,010,539 |
| Deferred Outflows of Resources | 481,625 | 451,282 | 258,018 | 210,013 | 739,643 | 661,295 |
| Liabilities: | | | | | | |
| Long-Term Liabilities | 727,950 | 1,066,523 | 2,420,769 | 2,806,901 | 3,148,719 | 3,873,424 |
| Other Liabilities | 69,635 | 116,573 | 252,187 | 246,836 | 321,822 | 363,409 |
| Total Liabilities | 797,585 | 1,183,096 | 2,672,956 | 3,053,737 | 3,470,541 | 4,236,833 |
| Deferred Inflows of Resources | 435,490 | 123,283 | 217,038 | 5,564 | 652,528 | 128,847 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 3,606,896 | 3,653,000 | 3,388,204 | 3,338,594 | 6,995,100 | 6,991,594 |
| Restricted | 880,028 | 1,082,328 | - | - | 880,028 | 1,082,328 |
| Unrestricted | 863,132 | 536,622 | 183,138 | (304,390) | 1,046,270 | 232,232 |
| Total Net Position | $ 5,350,056 | 5,271,950 | 3,571,342 | 3,034,204 | 8,921,398 | $ 8,306,154 |

The Town's total assets of approximately $12,305,000 increased approximately $294,000 from the prior year. The increase was primarily due to an increase in current and other assets of approximately $574,000 due to the increase in net position for the current year, partially offset by a decrease in capital assets of approximately $280,000 (as depreciation exceeded capital asset additions). The Town's total liabilities of approximately $3,471,000 decreased by approximately $766,000 from the prior year primarily due to a decrease in long-term liabilities (due to regularly scheduled principal payments) and lower net pension liabilities (due to higher pension investment balances). The changes in deferred outflows of resources and deferred inflows of resources were primarily due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the Town's proportionate share of the net pension liability in the State retirement plan.

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred outflows of resources by approximately $8,921,000 as of June 30, 2022. The largest portion of net position of approximately $6,995,000 (78%) reflects the Town's investment in capital assets (e.g. land, buildings, infrastructure, machinery, equipment, and vehicles); less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net 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's net position of approximately $880,000 (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of the Town's total net position of approximately $1,046,000 (12%) is unrestricted.

The Town's net position increased by approximately $615,000 for FY 2022. Please see the discussion following the next table regarding this increase.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Town's Changes in Net Position

### Figure 3

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| **Revenues:** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 76,347 | 66,279 | 2,016,140 | 1,831,645 | 2,092,487 | $ 1,897,924 |
| Operating Grants & Contributions | 381,419 | 357,673 | - | - | 381,419 | 357,673 |
| Capital Grants and Contributions | 85,000 | 14,527 | - | - | 85,000 | 14,527 |
| General Revenues: | | | | | | |
| Property Taxes | 2,010,714 | 1,878,487 | - | - | 2,010,714 | 1,878,487 |
| Other Taxes and Fees | 632,400 | 604,376 | 1,508 | 1,348 | 633,908 | 605,724 |
| Other Revenue | 170,651 | 15,510 | 240 | 2,534 | 170,891 | 18,044 |
| Total Revenues | 3,356,531 | 2,936,852 | 2,017,888 | 1,835,527 | 5,374,419 | 4,772,379 |
| **Expenses:** | | | | | | |
| General Government | 831,663 | 638,785 | - | - | 831,663 | 638,785 |
| Public Safety | 1,187,557 | 1,377,158 | - | - | 1,187,557 | 1,377,158 |
| Transportation | 449,797 | 424,033 | - | - | 449,797 | 424,033 |
| Economic Development | 4,294 | 29,150 | - | - | 4,294 | 29,150 |
| Culture and Recreational | 398,887 | 299,878 | - | - | 398,887 | 299,878 |
| Interest on Long-Term Obligations | 2,275 | 4,053 | - | - | 2,275 | 4,053 |
| Water and Sewer Fund | - | - | 1,577,507 | 2,121,538 | 1,577,507 | 2,121,538 |
| Sanitation Fund | - | - | 307,195 | 273,854 | 307,195 | 273,854 |
| Total Expenses | 2,874,473 | 2,773,057 | 1,884,702 | 2,395,392 | 4,759,175 | 5,168,449 |
| Change in Net Position Before Transfers | 482,058 | 163,795 | 133,186 | (559,865) | 615,244 | (396,070) |
| Transfers | (403,952) | - | 403,952 | - | - | - |
| Change in Net Position | 78,106 | 163,795 | 537,138 | (559,865) | 615,244 | (396,070) |
| Net Position, Beginning of Year | 5,271,950 | 5,108,155 | 3,034,204 | 3,594,069 | 8,306,154 | 8,702,224 |
| Net Position, End of Year | $ 5,350,056 | 5,271,950 | 3,571,342 | 3,034,204 | 8,921,398 | $ 8,306,154 |

**Governmental Activities**: Governmental activities increased the Town's net position by approximately $78,000 over the prior year. The key element of this increase is due to revenues exceeding expenses and transfers. A detailed explanation for governmental funds financial activity for the current year is provided under the Governmental Funds in the Financial Analysis of the Town's Funds section following.

**Business-type Activities**: Business-type activities increased the Town's net position by approximately $537,000 mostly due to revenues and transfers exceeding expenses. A detailed explanation for the utility funds financial activity for the current year is provided under the Proprietary Funds in the Financial Analysis of the Town's Funds section following.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

### Governmental Funds

The focus of the Town'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'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.

At June 30, 2022, the governmental funds of the Town reported a combined total governmental fund balance of approximately $2,245,000, an approximately $115,000 or 5% increase over the prior year balance.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was approximately $1,352,000 with a total fund balance of approximately $1,848,000. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance for the General Fund as of June 30, 2022 represents 72% of total General Fund actual expenditures for the current fiscal year.

The General Fund's revenues of approximately $1,979,000 during FY 2022, which was a decrease of approximately $85,000, or 4%, over the approximately $2,064,000 recorded in FY 2021, was primarily due to the following:

- Restricted intergovernmental revenue decreased over the prior year by approximately $255,000 due to lower grant revenue – as the Town received CARES Act and FEMA grants in the prior year for approximately $260,000.
- Ad Valorem Taxes revenue increased over the prior year by approximately $119,000 primarily due to higher assessed values.
- Unrestricted intergovernmental revenue increased over the prior fiscal year by approximately $33,000 due to higher local option sales tax revenue collections received from the State.
- Miscellaneous revenue increased over the prior fiscal year by approximately $26,000 due to local contributions.

Expenditures in the General Fund were approximately $1,868,000 for 2022, which was a decrease of approximately $156,000, or 8% over the approximately $2,024,000 reported in 2021, primarily due to lower capital outlay of approximately $385,000 and lower public safety expenditures of approximately $62,000, partially offset by higher general government expenditures of approximately $222,000 and higher transportation expenditures of approximately $83,000. The overall decrease was primarily due to significant capital outlay in the prior year for vehicles purchases and culvert improvements, partially offset by higher salaries, benefits, and operating costs.

The fund balance for the Fire Department Fund decreased approximately $72,000 to approximately $249,000 at June 30, 2022. This decrease is primarily due to expenditures and net other financing uses exceeding revenues for the current year. Fire Department Fund revenues increased approximately $15,000 or 3% compared to the prior year. Fire Department expenditures and net other financing uses increased approximately $17,000 or 3% compared to the prior year primarily due to a increase in public safety operating expenditures and transfers out.

The fund balance for the Harmon Field Fund increased approximately $121,000 to approximately $147,000 at June 30, 2022. This increase is due to revenues exceeding expenditures for the current year. Harmon Field Fund revenues increased approximately $21,000 or 8% compared to the prior year primarily due to an increase in ad valorem taxes of approximately $10,000 and sales and services of approximately $10,000. Harmon Field Fund expenditures increased approximately $7,000 or 3% compared to prior year primarily due to an increase in capital outlay expenditures of approximately $20,000, partially offset by a decrease in operating expenditures of approximately $13,000.

The ARPA Fund was established in 2022 to account for federal stimulus grants received from the American Rescue Plan Act ("ARPA"). The Town recognized approximately $257,000 in grant revenues which was used to reimburse the Town for government services (under the "Revenue Loss" provision of the ARPA) in its Water and Sewer Fund.

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

### Proprietary Funds

The Town's proprietary fund statements provide additional detail by fund for the information combined in the government-wide statements.

### Water and Sewer Fund

The Water and Sewer Fund (modified accrual) had approximately $1,754,000 in revenues for 2022. This was an increase of approximately $171,000 or 10% increase over 2021, primarily due to the following:

- Charges for services was approximately $1,733,000 for 2022, which was 11% higher than the previous year. Charges for services increased approximately $169,000 and was primarily due to higher volume.
- Water and sewer new tap charges increased by approximately $4,000.

The Water and Sewer Fund (modified accrual) had approximately $1,651,000 in expenditures for 2022. This was a decrease of approximately $377,000 and 19% lower than 2021 and was primarily due to large water/sewer repairs in the prior year of approximately $364,000.

The Water and Sewer Fund received transfers in of approximately $257,000 in stimulus grant funds from the ARPA Fund to reimburse for government services and to provide support for ongoing projects.

Net position of the Water and Sewer Fund at the end of 2022 totaled approximately $3,598,000 which was an increase of approximately $434,000 over the prior year balance of approximately $3,164,000.

### Sanitation Fund

The Sanitation Fund (modified accrual) total net position increased by approximately $104,000 for 2022 due to revenues and transfers in exceeding expenditures. This increase was primarily due to the following:

- Revenues (modified accrual) were approximately $264,000 and increased approximately $12,000 or 5% from the prior year.

- Expenditures (modified accrual) of approximately $294,000 increased by approximately $39,000 or 15% from the prior year due to higher salaries and employee benefits of approximately $10,000, tipping charges of approximately $11,000, and repair and maintenance of approximately $13,000.

### General Fund Budgetary Highlights

During the fiscal year, the Town revised the budget on several occasions. In general, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as federal and state grants; and (3) increases in appropriations that become necessary to maintain services. The Town's budget amendments in 2022 were primarily (a) reflect the sale of property, (b) reflect higher tax revenues beings received, (c) cover for higher operating costs, and (d) to help cover a portion of the shortfall in the Sanitation Fund's net position. General Fund actual revenues of approximately $1,979,000 exceeded budgeted revenues by approximately $25,000 or 1%, primarily due to miscellaneous revenues for donations exceeding budget by approximately $28,000. Net other financing uses exceeded budget by approximately $105,000 primarily due to lower sales of capital assets.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Town's had approximately $9,276,000 and $9,556,000 in total net capital assets at the close of 2022 and 2021, respectively, as detailed in figure 4 below:

**Town's Net Capital Assets**

**Figure 4**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Land | $ 1,406,182 | 1,395,382 | 72,469 | 72,469 | 1,478,651 | $ 1,467,851 |
| Construction in Progress | - | - | 166,908 | 47,770 | 166,908 | 47,770 |
| Buildings | 1,166,051 | 1,166,051 | 105,011 | 105,011 | 1,271,062 | 1,271,062 |
| Other Improvements | 1,681,651 | 1,681,651 | - | - | 1,681,651 | 1,681,651 |
| Machinery and Equipment | 1,881,813 | 1,862,944 | 1,584,668 | 1,579,469 | 3,466,481 | 3,442,413 |
| Plant Distribution System | - | - | 13,997,408 | 13,997,408 | 13,997,408 | 13,997,408 |
| Vehicles | 2,097,427 | 2,012,427 | 278,126 | 278,126 | 2,375,553 | 2,290,553 |
| Accumulated Depreciation | (4,558,441) | (4,325,502) | (10,603,001) | (10,317,116) | (15,161,442) | (14,642,618) |
| Total | $ 3,674,683 | 3,792,953 | 5,601,589 | 5,763,137 | 9,276,272 | $ 9,556,090 |

The total decrease in the Town's capital assets for 2022 was approximately $280,000 and consisted of the following:

- Capital asset additions of approximately $239,000 which consisted of:
  - Land for approximately $11,000
  - Construction in progress on a water and sewer project of approximately $119,000
  - Furniture and Equipment for approximately $24,000
  - Donated fire truck for $85,000.
- Depreciation expense of approximately $519,000

Additional information on the Town's capital assets can be found in Note III.D in the Notes to the Financial Statements

### Long-Term Debt

As of June 30, 2022 and 2021, the Town had total debt outstanding of $2,281,000 and $2,564,000, respectively. Figure 5 shows long-term debt balances at the end of 2022 and 2021:

**Town's Outstanding Debt**

**Figure 5**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revolving Fund Loans | $ - | - | 2,072,010 | 2,264,647 | 2,072,010 | $ 2,264,647 |
| Installment Purchase Contracts | 67,787 | 139,953 | 141,375 | 159,896 | 209,162 | 299,849 |
| Total | $ 67,787 | 139,953 | 2,213,385 | 2,424,543 | 2,281,172 | $ 2,564,496 |

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

### Long-Term Debt (Continued)

The net decrease in the Town's long-term debt was approximately $283,000 and was due to regularly scheduled principal payments.

North Carolina General Statute 159-55 limits the amount of general obligation debt that a unit of government can issue to eight (8) percent of the total assessed value of taxable property located within that government's boundaries. The Town does not have any general obligation debt.

The Town has other long-term obligations outstanding at year end which consisted of the compensated absences liability and the net pension liability. Additional information regarding the Town's long-term obligations can be found in Note III.E and Note IV.B in the Notes to the Financial Statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

### Economic Factors

Based on overall economic forecasts for North Carolina and the waning impact of the COVID health pandemic, the Town expects to see a much better environment for year ended June 30, 2023 ("FY 2023"). The Town expects to see very stable and normal revenue growth for FY 2023 of approximately 5%.

### Budget Highlights for FY 2023

The FY 2023 operating budget totals approximately $4,611,000 for the Town's budgeted operating funds. This is approximately $240,000 or 5%, higher than the original FY 2022 budget of approximately $4,371,000.

## ADDITIONAL INFORMATION

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Additional information may be found at the Town website: https://tryon-nc.com.

Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Manager manager@tryonnc.gov, 301 North Trade Street, Tryon, N.C. 28782.

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# BASIC FINANCIAL STATEMENTS

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

| | PRIMARY GOVERNMENT | | | COMPONENT UNITS | |
|---|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Totals | ABC Board | Tourism Development Authority |
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 1,485,604 | 184,874 | 1,670,478 | 105,247 | $ 55,011 |
| Cash and Cash Equivalents, Restricted | 544,441 | 142,992 | 687,433 | - | - |
| Receivables, Net: | | | | | |
| Property Taxes | 94,801 | - | 94,801 | - | - |
| Accounts | 5,375 | 324,048 | 329,423 | - | 4,016 |
| Lease Receivable | 18,915 | - | 18,915 | - | - |
| Intergovernmental Receivables | 173,737 | - | 173,737 | - | - |
| Due From Component Unit | 570 | - | 570 | - | - |
| Prepaids and Inventories | - | 53,195 | 53,195 | 96,483 | - |
| Security Deposits | - | - | - | 1,200 | - |
| Internal Balances | 103,380 | (103,380) | - | - | - |
| Capital Assets: | | | | | |
| Non-Depreciable | 1,406,182 | 239,377 | 1,645,559 | - | - |
| Depreciable, Net | 2,268,501 | 5,362,212 | 7,630,713 | 3,401 | - |
| **TOTAL ASSETS** | **6,101,506** | **6,203,318** | **12,304,824** | **206,331** | **59,027** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | | |
| Deferred Pension Charges | 481,625 | 258,018 | 739,643 | - | - |
| **LIABILITIES** | | | | | |
| Accounts Payable | 22,981 | 30,173 | 53,154 | 39,277 | 3,984 |
| Accrued Interest Payable | 1,225 | 10,096 | 11,321 | - | - |
| Accrued Salaries and Benefits | 45,429 | 31,367 | 76,796 | - | - |
| Customer Deposits | - | 142,992 | 142,992 | - | - |
| Intergovernmental Payables | - | 37,559 | 37,559 | 3,049 | - |
| Due to Primary Government | - | - | - | - | 570 |
| Non-Current Liabilities: | | | | | |
| Due Within One Year | 70,138 | 219,039 | 289,177 | - | - |
| Due in More Than One Year | 657,812 | 2,201,730 | 2,859,542 | - | - |
| **TOTAL LIABILITIES** | **797,585** | **2,672,956** | **3,470,541** | **42,326** | **4,554** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Deferred Pension Credits | 416,575 | 217,038 | 633,613 | - | - |
| Deferred Lease Revenue | 18,915 | - | 18,915 | - | - |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **435,490** | **217,038** | **652,528** | **-** | **-** |
| **NET POSITION** | | | | | |
| Net Investment in Capital Assets | 3,606,896 | 3,388,204 | 6,995,100 | 3,401 | - |
| Restricted For: | | | | | |
| Stabilization by State Statute | 367,856 | - | 367,856 | - | - |
| Public Safety | 268,428 | - | 268,428 | - | - |
| Cultural and Recreational | 158,989 | - | 158,989 | - | - |
| Transportation | 84,755 | - | 84,755 | - | - |
| Tourism Related Costs | - | - | - | - | 54,473 |
| Working Capital | - | - | - | 20,680 | - |
| Unrestricted | 863,132 | 183,138 | 1,046,270 | 139,924 | - |
| **TOTAL NET POSITION** | **$ 5,350,056** | **3,571,342** | **8,921,398** | **164,005** | **$ 54,473** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

| FUNCTIONS/PROGRAMS<br>PRIMARY GOVERNMENT: | Expenses | PROGRAM REVENUES<br>Charges for Services | Operating Grants and | Capital Contributions | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION<br>Primary Government<br>Governmental Activities | Business-Type Activities | Total | Component Units<br>ABC Board | Tourism Development Authority |
|---|---|---|---|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | | | | | |
| General Government | $ 831,663 | 20,564 | 274,101 | - | (536,998) | - | $ (536,998) | | |
| Public Safety | 1,187,557 | 3,583 | 11,929 | 85,000 | (1,087,045) | - | (1,087,045) | | |
| Transportation | 449,797 | - | 68,973 | - | (380,824) | - | (380,824) | | |
| Economic Development | 4,294 | 10,150 | - | - | 5,856 | - | 5,856 | | |
| Culture and Recreational | 398,887 | 42,050 | 26,416 | - | (330,421) | - | (330,421) | | |
| Interest on Long-Term Obligations | 2,275 | - | - | - | (2,275) | - | (2,275) | | |
| **Total Governmental Activities** | **2,874,473** | **76,347** | **381,419** | **85,000** | **(2,331,707)** | **-** | **(2,331,707)** | | |
| **Business-Type Activities:** | | | | | | | | | |
| Water and Sewer | 1,577,507 | 1,753,536 | - | - | - | 176,029 | 176,029 | | |
| Sanitation | 307,195 | 262,604 | - | - | - | (44,591) | (44,591) | | |
| **Total Business-Type Activities** | **1,884,702** | **2,016,140** | **-** | **-** | **-** | **131,438** | **131,438** | | |
| **TOTAL - PRIMARY GOVERNMENT** | **$ 4,759,175** | **2,092,487** | **381,419** | **85,000** | **(2,331,707)** | **131,438** | **(2,200,269)** | | |
| **COMPONENT UNITS:** | | | | | | | | | |
| ABC Board | $ 667,994 | 708,927 | - | - | - | - | - | 40,933 | $ - |
| Tourism Development Authority | 27,917 | 42,961 | - | - | - | - | - | - | 15,044 |
| **TOTAL - COMPONENT UNITS** | **$ 695,911** | **751,888** | **-** | **-** | **-** | **-** | **-** | **40,933** | **15,044** |
| **General Revenues:** | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property Taxes | | | | | 2,010,714 | - | 2,010,714 | - | - |
| Sales Taxes | | | | | 501,315 | - | 501,315 | - | - |
| Franchise Taxes | | | | | 131,085 | - | 131,085 | - | - |
| Other Taxes | | | | | - | 1,508 | 1,508 | - | - |
| Investment Income | | | | | 5,388 | 210 | 5,598 | - | 77 |
| Miscellaneous | | | | | 4,510 | 30 | 4,540 | - | - |
| Gain on Sale of Assets | | | | | 160,753 | - | 160,753 | - | - |
| Transfers In (Out) | | | | | (403,952) | 403,952 | - | - | - |
| Total General Revenues | | | | | 2,409,813 | 405,700 | 2,815,513 | - | 77 |
| **CHANGE IN NET POSITION** | | | | | **78,106** | **537,138** | **615,244** | **40,933** | **15,121** |
| NET POSITION, Beginning of Year | | | | | 5,271,950 | 3,034,204 | 8,306,154 | 123,072 | 39,352 |
| **NET POSITION, End of Year** | | | | | **$ 5,350,056** | **3,571,342** | **8,921,398** | **164,005** | **$ 54,473** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2022**

| | GENERAL FUND | FIRE DEPARTMENT FUND | HARMON FIELD FUND | ARPA FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 1,485,604 | - | - | - | $ 1,485,604 |
| Cash and Cash Equivalents, Restricted | 126,225 | 265,101 | 153,115 | - | 544,441 |
| Receivables, Net: | | | | | |
| Taxes | 68,229 | 19,254 | 7,318 | - | 94,801 |
| Accounts | 100 | - | 5,275 | - | 5,375 |
| Lease | - | - | 18,915 | - | 18,915 |
| Due From Other Governments | 173,737 | - | - | - | 173,737 |
| Due From Component Units | 570 | - | - | - | 570 |
| Due From Other Funds | 188,174 | - | - | - | 188,174 |
| **TOTAL ASSETS** | **$ 2,042,639** | **284,355** | **184,623** | **-** | **$ 2,511,617** |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 15,256 | 2,747 | 4,978 | - | $ 22,981 |
| Accrued Liabilities | 26,258 | 13,180 | 5,991 | - | 45,429 |
| Due To Other Funds | 84,794 | - | - | - | 84,794 |
| **TOTAL LIABILITIES** | **126,308** | **15,927** | **10,969** | **-** | **153,204** |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | |
| Unavailable Revenue - Property Taxes | 68,229 | 19,254 | 7,318 | - | 94,801 |
| Deferred Lease Revenue | - | - | 18,915 | | 18,915 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES** | **68,229** | **19,254** | **26,233** | **-** | **113,716** |
| **FUND BALANCES** | | | | | |
| Restricted For: | | | | | |
| Stabilization by State Statute | 362,581 | - | 5,275 | - | 367,856 |
| Public Safety | - | 249,174 | - | - | 249,174 |
| Culture and Recreation | 9,525 | - | 142,146 | - | 151,671 |
| Transportation | 84,755 | - | - | - | 84,755 |
| Assigned For: | | | | | |
| Appropriated in FY 2023 Budget | 15,460 | - | - | | 15,460 |
| Culture and Recreation | 23,773 | - | - | - | 23,773 |
| Unassigned | 1,352,008 | | - | - | 1,352,008 |
| **TOTAL FUND BALANCES** | **1,848,102** | **249,174** | **147,421** | **-** | **2,244,697** |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES** | **$ 2,042,639** | **284,355** | **184,623** | **-** | **$ 2,511,617** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2022**

| | | |
|---|---|---|
| **TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** | **$** | **2,244,697** |
| Amounts reported for the governmental activities in the Statement of Net Position are different because of the following: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in governmental funds. The cost of the capital assets was $8,233,124 and the accumulated depreciation was $4,558,441. | | 3,674,683 |
| Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds. | | 94,801 |
| Accrued interest on the long-term obligations in governmental accounting is not due or payable in the current period, therefore, they have not been reported as a liability in the funds. | | (1,225) |
| The Town's proportionate shares of the deferred outflows of resources and deferred inflows of resources related to their participation in the Local Government Employees' Retirement System ("LGERS") is not recorded in the governmental funds but is recorded in the Statement of Net Position. | | 59,116 |
| The Town's deferred outflows of resources and deferred inflows of resources related to its Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, is not recorded in the governmental funds but is recorded in the Statement of Net Position. | | 5,934 |
| Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following: | | |
| Long-Term Debt | | (67,787) |
| Compensated Absences | | (91,784) |
| Net Pension Liability - LGERS | | (216,280) |
| Total Pension Liability - LEOSSA | | (352,099) |
| **TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** | **$** | **5,350,056** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2022**

| | GENERAL FUND | FIRE DEPARTMENT FUND | HARMON FIELD FUND | ARPA FUND | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|---|---|
| **REVENUES** | | | | | |
| Ad Valorem Taxes | $ 1,033,628 | 585,438 | 224,264 | - | $ 1,843,330 |
| Unrestricted Intergovernmental Revenue | 795,516 | - | 716 | - | 796,232 |
| Restricted Intergovernmental Revenue | 68,973 | - | - | 257,348 | 326,321 |
| Sales and Services | 34,297 | - | 42,050 | - | 76,347 |
| Investment Earnings | 3,402 | 1,952 | 34 | - | 5,388 |
| Miscellaneous | 43,169 | 15,723 | - | - | 58,892 |
| **TOTAL REVENUES** | **1,978,985** | **603,113** | **267,064** | **257,348** | **3,106,510** |
| **EXPENDITURES** | | | | | |
| Current: | | | | | |
| General Government | 815,498 | - | - | - | 815,498 |
| Public Safety | 622,114 | 578,303 | - | - | 1,200,417 |
| Transportation | 366,119 | - | - | - | 366,119 |
| Economic Development | 4,294 | - | - | - | 4,294 |
| Culture and Recreation | 26,866 | - | 234,305 | - | 261,171 |
| Capital Outlay | 4,697 | - | 20,190 | - | 24,887 |
| Debt Service: | | | | | |
| Principal Retirement | 26,517 | 45,649 | - | - | 72,166 |
| Interest and Other Charges | 1,484 | 2,060 | - | - | 3,544 |
| **TOTAL EXPENDITURES** | 1,867,589 | 626,012 | 254,495 | - | 2,748,096 |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **111,396** | **(22,899)** | **12,569** | **257,348** | **358,414** |
| **OTHER FINANCING SOURCES (USES)** | | | | | |
| Insurance Recovery | 15,006 | 4,343 | 108,584 | | 127,933 |
| Sale of Capital Assets | 32,820 | - | - | | 32,820 |
| Transfers In | 52,997 | - | - | | 52,997 |
| Transfers Out | (146,604) | (52,997) | - | (257,348) | (456,949) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | (45,781) | (48,654) | 108,584 | (257,348) | (243,199) |
| **NET CHANGES IN FUND BALANCES** | **65,615** | **(71,553)** | **121,153** | **-** | **115,215** |
| FUND BALANCES, Beginning of Year | 1,782,487 | 320,727 | 26,268 | - | 2,129,482 |
| **FUND BALANCES, End of Year** | **$ 1,848,102** | **249,174** | **147,421** | **-** | **$ 2,244,697** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2022**

| | | |
|---|---|---|
| **TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** | **$** | **115,215** |
| Amounts reported for the governmental activities in the Statement of Activities are different because of the following: | | |
| Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities. | | 4,268 |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | | 72,166 |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. | | 1,269 |
| Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the LGERS for the current year are not reported in the governmental funds but are reported in the Statement of Activities. | | 13,270 |
| Changes in the Town's LEOSSA net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. | | (931) |
| 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 the governmental funds. | | (8,881) |
| Contributed infrastructure and other capital assets are not recognized in the governmental funds as no current financial resources have been received, but are recognized in the Statement of Activities as a capital grants and contributions. | | 85,000 |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of $232,939 exceeded cash capital asset additions of $29,669 in the current period. | | (203,270) |
| **TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** | **$** | **78,106** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**BUDGETARY COMPARISON STATEMENT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Ad Valorem Taxes | $ 990,000 | 1,033,606 | 1,033,628 | $ 22 |
| Unrestricted Intergovernmental Revenue | 618,000 | 801,937 | 795,516 | (6,421) |
| Restricted Intergovernmental Revenue | 65,000 | 68,973 | 68,973 | - |
| Sales And Services | 24,000 | 31,335 | 34,297 | 2,962 |
| Investment Earnings | - | 3,133 | 3,402 | 269 |
| Miscellaneous Revenues | - | 15,321 | 43,169 | 27,848 |
| **TOTAL REVENUES** | **1,697,000** | **1,954,305** | **1,978,985** | **24,680** |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General Government | 663,182 | 829,047 | 816,264 | 12,783 |
| Public Safety | 691,263 | 675,663 | 622,114 | 53,549 |
| Economic Development | 41,000 | 20,000 | 4,294 | 15,706 |
| Transportation | 281,246 | 379,753 | 370,050 | 9,703 |
| Culture and Recreation | 4,400 | 19,500 | 26,866 | (7,366) |
| Debt Service: | | | | |
| Principal | 34,220 | 22,091 | 26,517 | (4,426) |
| Interest and Bank Fees | 2,686 | 1,499 | 1,484 | 15 |
| **TOTAL EXPENDITURES** | **1,717,997** | **1,947,553** | **1,867,589** | **79,964** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **(20,997)** | **6,752** | **111,396** | **104,644** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Insurance Recovery | - | 15,006 | 15,006 | - |
| Sale of Capital Assets | - | 159,230 | 32,820 | (126,410) |
| Transfers In | 20,997 | 52,997 | 52,997 | - |
| Transfers Out | - | (168,016) | (146,604) | 21,412 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **20,997** | **59,217** | **(45,781)** | **(104,998)** |
| Fund Balance Appropriated (Surplus) | - | (65,969) | - | 65,969 |
| **NET CHANGE IN FUND BALANCES** | **$ -** | **-** | **65,615** | **$ 65,615** |
| FUND BALANCES, Beginning of Year | | | 1,782,487 | |
| **FUND BALANCES, End of Year** | | | **$ 1,848,102** | |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**BUDGETARY COMPARISON STATEMENT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL - FIRE DEPARTMENT FUND**

**YEAR ENDED JUNE 30, 2022**

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Ad Valorem Taxes | $ 551,700 | 582,981 | 585,438 | $ 2,457 |
| Investment Earnings | - | - | 1,952 | 1,952 |
| Miscellaneous Revenues | - | 51,801 | 15,723 | (36,078) |
| **TOTAL REVENUES** | **551,700** | **634,782** | **603,113** | **(31,669)** |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Public Safety | 482,827 | 613,801 | 578,303 | 35,498 |
| Debt Service: | | | | |
| Principal | 43,910 | 45,545 | 45,649 | (104) |
| Interest and Bank Fees | 3,793 | 2,166 | 2,060 | 106 |
| **TOTAL EXPENDITURES** | **530,530** | **661,512** | **626,012** | **35,500** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **21,170** | **(26,730)** | **(22,899)** | **3,831** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Insurance Recovery | - | 4,343 | 4,343 | - |
| Transfers Out | (20,997) | (52,997) | (52,997) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **(20,997)** | **(48,654)** | **(48,654)** | **-** |
| Fund Balance Appropriated (Surplus) | (173) | 75,384 | - | (75,384) |
| **NET CHANGE IN FUND BALANCES** | **$ -** | **-** | **(71,553)** | **$ (71,553)** |
| FUND BALANCES, Beginning of Year | | | 320,727 | |
| **FUND BALANCES, End of Year** | | | **$ 249,174** | |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**BUDGETARY COMPARISON STATEMENT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL - HARMON FIELD FUND**

**YEAR ENDED JUNE 30, 2022**

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Ad Valorem Taxes | $ 209,621 | 223,431 | 224,264 | $ 833 |
| Sales and Services | 25,000 | 35,725 | 42,050 | 6,325 |
| Investment Earnings | - | - | 34 | 34 |
| Unrestricted Intergovernmental Revenue | - | 715 | 716 | 1 |
| **TOTAL REVENUES** | **234,621** | **259,871** | **267,064** | **7,193** |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Culture and Recreation | 234,621 | 263,520 | 254,495 | 9,025 |
| **TOTAL EXPENDITURES** | **234,621** | **263,520** | **254,495** | **9,025** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **-** | **(3,649)** | **12,569** | **16,218** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Insurance Recovery | - | 108,584 | 108,584 | - |
| Transfers In | - | - | - | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **-** | **108,584** | **108,584** | **-** |
| Fund Balance Appropriated (Surplus) | - | (104,935) | - | 104,935 |
| **NET CHANGE IN FUND BALANCES** | **$ -** | **-** | **121,153** | **$ 121,153** |
| FUND BALANCES, Beginning of Year | | | 26,268 | |
| **FUND BALANCES, End of Year** | | | **$ 147,421** | |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**BUDGETARY COMPARISON STATEMENT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL - ARPA FUND**

**YEAR ENDED JUNE 30, 2022**

| | BUDGETED AMOUNTS | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Restricted Intergovernmental Revenue | $ - | 257,348 | 257,348 | $ - |
| **TOTAL REVENUES** | **-** | **257,348** | **257,348** | **-** |
| **EXPENDITURES** | | | | |
| ARPA Expenditures | - | - | - | - |
| **TOTAL EXPENDITURES** | **-** | **-** | **-** | **-** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **-** | **257,348** | **257,348** | **-** |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers Out | - | (257,348) | (257,348) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **-** | **(257,348)** | **(257,348)** | **-** |
| Fund Balance Appropriated (Surplus) | - | - | - | - |
| **NET CHANGE IN FUND BALANCES** | **$ -** | **-** | **-** | **$ -** |
| FUND BALANCES, Beginning of Year | | | - | |
| **FUND BALANCES, End of Year** | | | **$ -** | |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF NET POSITION -
PROPRIETARY FUNDS**

**JUNE 30, 2022**

| | ENTERPRISE FUNDS | | |
|---|---|---|---|
| | WATER AND SEWER FUND | SANITATION FUND | TOTAL |
| **ASSETS** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 126,852 | 58,022 | $ 184,874 |
| Cash and Cash Equivalents, Restricted | 142,992 | - | 142,992 |
| Accounts Receivable | 283,452 | 40,596 | 324,048 |
| Due From Other Funds | 144,256 | - | 144,256 |
| Inventories | 53,195 | - | 53,195 |
| Total Current Assets | 750,747 | 98,618 | 849,365 |
| Non-Current Assets: | | | |
| Capital Assets: | | | |
| Non-Depreciable | 239,377 | - | 239,377 |
| Depreciable, Net | 5,276,225 | 85,987 | 5,362,212 |
| Total Non-Current Assets | 5,515,602 | 85,987 | 5,601,589 |
| **TOTAL ASSETS** | **6,266,349** | **184,605** | **6,450,954** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred Pension Charges | 222,480 | 35,538 | 258,018 |
| **LIABILITIES** | | | |
| Current Liabilities: | | | |
| Accounts Payable | 23,066 | 7,107 | 30,173 |
| Accrued Interest Payable | 8,761 | 1,335 | 10,096 |
| Accrued Liabilities | 25,705 | 5,662 | 31,367 |
| Customer Deposits | 142,992 | - | 142,992 |
| Due to Other Governments | 36,792 | 767 | 37,559 |
| Due To Other Funds | 188,174 | 59,462 | 247,636 |
| Current Portion of Compensated Absences | 6,735 | 467 | 7,202 |
| Current Portion of Debt | 204,180 | 7,657 | 211,837 |
| Total Current Liabilities | 636,405 | 82,457 | 718,862 |
| Non-Current Liabilities: | | | |
| Net Pension Liability | 129,290 | 20,653 | 149,943 |
| Compensated Absences, Less Current Portion | 46,978 | 3,261 | 50,239 |
| Debt, Less Current Portion | 1,891,280 | 110,268 | 2,001,548 |
| Total Long-Term Liabilities | 2,067,548 | 134,182 | 2,201,730 |
| **TOTAL LIABILITIES** | **2,703,953** | **216,639** | **2,920,592** |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred Pension Credits | 187,143 | 29,895 | 217,038 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | 3,420,142 | (31,938) | 3,388,204 |
| Unrestricted | 177,591 | 5,547 | 183,138 |
| **TOTAL NET POSITION** | **$ 3,597,733** | **(26,391)** | **$ 3,571,342** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2022**

| | ENTERPRISE FUNDS | | |
|---|---|---|---|
| | WATER AND SEWER FUND | SANITATION FUND | TOTAL |
| **OPERATING REVENUES** | | | |
| Charges for Services | $ 1,733,366 | 258,147 | $ 1,991,513 |
| Water and Sewer Taps | 20,170 | - | 20,170 |
| Other Operating Revenues | - | 4,457 | 4,457 |
| **TOTAL OPERATING REVENUES** | **1,753,536** | **262,604** | **2,016,140** |
| **OPERATING EXPENSES** | | | |
| Water and Sewer Distribution | 342,774 | - | 342,774 |
| Waterplant Operations | 475,897 | - | 475,897 |
| Wastewater Plant Operations | 261,623 | - | 261,623 |
| Water Collections | 181,798 | - | 181,798 |
| Sanitation Operations | - | 278,370 | 278,370 |
| Depreciation | 262,498 | 23,387 | 285,885 |
| **TOTAL OPERATING EXPENSES** | **1,524,590** | **301,757** | **1,826,347** |
| **OPERATING INCOME (LOSS)** | **228,946** | **(39,153)** | **189,793** |
| **NON-OPERATING REVENUES (EXPENSES)** | | | |
| Solid Waste Disposal Tax | - | 1,508 | 1,508 |
| Investment Earnings | 210 | - | 210 |
| Interest and Other Charges | (51,145) | (5,438) | (56,583) |
| Other Income | 30 | - | 30 |
| Other Expenses | (1,772) | - | (1,772) |
| **TOTAL NON-OPERATING REVENUES (EXPENSES)** | **(52,677)** | **(3,930)** | **(56,607)** |
| **INCOME (LOSS) BEFORE TRANSFERS** | **176,269** | **(43,083)** | **133,186** |
| Transfers In | 257,348 | 146,604 | 403,952 |
| **CHANGE IN NET POSITION** | **433,617** | **103,521** | **537,138** |
| NET POSITION, Beginning of Year | 3,164,116 | (129,912) | 3,034,204 |
| **NET POSITION, End of Year** | **$ 3,597,733** | **(26,391)** | **$ 3,571,342** |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

**TOWN OF TRYON, NORTH CAROLINA**

**STATEMENT OF CASH FLOWS -**
**PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2022**

| | ENTERPRISE FUNDS | | |
|---|---|---|---|
| | WATER AND SEWER FUND | SANITATION FUND | TOTAL |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from Customers and Users | $ 1,736,742 | 260,643 | $ 1,997,385 |
| Payments to Suppliers for Goods and Services | (121,685) | (115,596) | (237,281) |
| Payments for Personal Services | (1,140,672) | (160,822) | (1,301,494) |
| Other Receipts (Payments) | (1,742) | - | (1,742) |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 472,643 | (15,775) | 456,868 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES** | | | |
| Solid Waste Disposal Tax | - | 1,508 | 1,508 |
| Transfers from Other Funds | 46,180 | 85,141 | 131,321 |
| NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES | 46,180 | 86,649 | 132,829 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Acquisition of Capital Assets | (124,337) | - | (124,337) |
| Debt Principal Payments | (203,827) | (7,331) | (211,158) |
| Debt Interest Payments | (52,032) | (5,521) | (57,553) |
| NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES | (380,196) | (12,852) | (393,048) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment Earnings | 210 | - | 210 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 210 | - | 210 |
| **NET INCREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS** | **138,837** | **58,022** | **196,859** |
| RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year | 131,007 | - | 131,007 |
| **RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year** | **$ 269,844** | **58,022** | **$ 327,866** |
| Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities: | | | |
| Operating Income (Loss) | $ 228,946 | (39,153) | $ 189,793 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities: | | | |
| Depreciation Expense | 262,498 | 23,387 | 285,885 |
| Other Nonoperating Revenue (Expenses) | (1,742) | - | (1,742) |
| Change in Accounts Representing Operating Activities: | | | |
| Accounts Receivable | (23,044) | (1,961) | (25,005) |
| Prepaids and Inventory | 11,451 | 1,670 | 13,121 |
| Accounts Payable | (953) | 916 | (37) |
| Accrued Salaries and Benefits | (1,597) | 1,705 | 108 |
| Customer Deposits | 6,250 | - | 6,250 |
| Compensated Absences | (5,153) | 531 | (4,622) |
| Net Pension Liability | (141,573) | (28,779) | (170,352) |
| Deferred Pension Charges | (44,878) | (3,127) | (48,005) |
| Deferred Pension Credits | 182,438 | 29,036 | 211,474 |
| Net Cash Provided by (Used in) Operating Activities | $ 472,643 | (15,775) | $ 456,868 |

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

The Town of Tryon ("Town") was originally incorporated in 1885 and operates under a Council-Manager form of government with an appointed Town Manager. Town Council ("Council") consists of the Mayor and four other members who are elected by qualified voters of the town. The Mayor and Council are vested with the legislative and policymaking powers of the Town. The Council appoints a Town Manager who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. The Reporting Entity

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has two discretely presented component units.

***Discretely Presented Component Unit – Town of Tryon Board of Alcoholic Control Board ("ABC Board")***

The members of the ABC Board's governing body are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund and Harmon Field Fund of the Town. The ABC Board, which has a June 30th year end, is presented in the Town's government-wide financial statements. Complete financial statements of the ABC Board may be obtained from its administrative offices at Town of Tryon Alcoholic Control Board, 354 S Trade St, Suite C, Tryon, NC 28782.

***Discretely Presented Component Unit – Town of Tryon Tourism Development Authority ("Authority")***

The members of the Authority's governing board ("Board") are appointed by the Town. The Authority's Board is required by North Carolina law to govern the use of the Town's Occupancy Tax Revenue. The Authority, which has a June 30th year-end, is presented in the Town's government-wide financial statements. No separate financial statements for the Authority have been issued.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Town (the "Primary Government") and its component units. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable (susceptible to accrual) and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town generally recognizes property tax revenues only when received and thus no availability period is used. The Town considers all other revenues to be available if they are generally collected within 90 days after year-end. 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 long-term debt and acquisitions under leases are reported as other financing sources.

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year end on behalf of the Town are recognized as revenue when received/collected by the State. Sales taxes are considered a shared revenue for the Town because the tax is levied by Polk County and then remitted to and distributed by the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. Separate financial statements for each fund category are presented – governmental and proprietary funds are presented. The focus of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column (if applicable).

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following fund types and funds are used by the Town.

***Governmental Fund Types*** are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental funds are as follows:

The ***General Fund, a major fund*** and a budgeted fund**,** is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund.

***Fire Department Fund, a major special revenue fund*** and a budgeted fund**,** accounts for the operations of the Town's Fire Department. Taxes are levied specifically for the Fire Department.

***Harmon Field Fund, a major special revenue fund*** and a budgeted fund, accounts for the operations of Harmon Field. Taxes are levied specifically for Harmon Field. The Town has elected to show this fund as a major fund due to its significance to the Town – even when not considered major per GASB quantitative requirements.

***ARPA Fund, a major special revenue fund*** and a budgeted fund, accounts for the activities associated with federal stimulus funds received in the American Rescue Plan Act ("ARPA"). The Town has elected to show this fund as a major fund due to its significance to the Town – even when not considered major per GASB quantitative requirements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

***Proprietary Fund Types*** are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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 enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary funds are made up of one fund type: Enterprise Funds.

***Enterprise Funds*** are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town has the following major Enterprise Funds:

***Water and Sewer Fund, a major fund*** and a budgeted fund, is used to account for the Town's water and sewer operations.

***Sanitation Fund, a major fund*** and a budgeted fund, is used to account for the Town's sanitation and recycling operations.

***Change in Accounting Principle***

The Town adopted GASB Statement No. 87 "*Leases*" ("GASB #87" or "Statement") for the year ended June 30, 2022. The objective of GASB #87 is to better meet the information needs of financial users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The adoption of GASB #87 has resulted in no impact to the Town's fund balance/net position but has resulted in the addition of a lease receivable and corresponding deferred inflow of resources on the Town's governmental funds and government-wide financial statements of approximately $19,000 as of June 30, 2022.

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

#### *1. Cash and Cash Equivalents*

The Town pools money from several funds to facilitate disbursements and investments and to maximize investment income. The Town, the ABC Board, and the Authority consider all highly liquid investments with a maturity of three months or less (from when initially purchased) to be cash and cash equivalents.

#### *2. Deposits and Investments*

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *2. Deposits and Investments (Continued)*

State law (G.S. 159-30(c)) authorizes the Town, the ABC Board, and the Authority 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, ABC Board's, and Authority's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. 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 one year.

#### *3. Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including but not limited to, taxes, intergovernmental revenue, permits and fees, sales and services, water and sewer, sanitation/recycling, and other fees and charges.

#### *4. Lease Receivable*

The Town's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Town may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized over the term of the lease.

#### *5. Inventories and Prepaid Items*

Inventories of materials and supplies are valued at cost (first-in, first-out) which approximates market. 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. Prepaids and inventories of the Town, ABC Board, and Authority are accounted for using the consumption method (expended/expensed when consumed) when material.

#### *6. Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *6. Capital Assets (Continued)*

Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. Infrastructure and other improvements consist of the road network (roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, lighting systems), and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980. These assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The Town's capital assets are depreciated on the straight-line method using the following estimated useful lives:

| | |
|---|---|
| Buildings and Improvements | 20-30 years |
| Other Improvements | 10-30 years |
| Plant Distribution System Infrastructure | 30-50 years |
| Vehicles | 3-15 years |
| Equipment and Furniture | 3-15 years |

The ABC Board's capital assets are depreciated on the straight-line method using the following estimated useful lives:

| | |
|---|---|
| Equipment | 3-10 years |

#### *7. Restricted Assets*

In the General Fund, any unspent Powell Bill funds are classified as restricted cash and cash equivalents, because they may only be expended for the purposes of maintaining repairing, construction, reconstruction or widening of local streets per G.S 136-41.1 through 41.4.

In the Water and Sewer Fund, customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit is collected.

In the special revenue funds, unspent revenues and contributions are restricted for a particular purpose.

#### *8. Compensated Absences*

The vacation policy of the Town generally provides for the accumulation of up to forty (40) 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 that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The vacation policy of the ABC Board provides for the accumulation of up to twenty days earned vacation leave with such leave being fully vested when earned. Vacation days are earned based on the length of services. Full-time employees do not accumulate sick leave.

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 does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *9. Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed when incurred. In the governmental fund financial statements, bond premiums, discounts, and issuance costs are recognized immediately. The face amount of debt or leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term obligations that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

#### *10. Deferred Outflows/Inflows of Resources*

As defined by GASB Concept Statement No. 4 "*Elements of Financial Statements*", deferred outflows/inflows of resources are the consumption/acquisition of net position by the government that are applicable to a future reporting period.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has one type of deferred outflows of resources: The Town reports *deferred pension charges* in the Town's Statements of Net Position in connection with the Town's participation in the State's Local Governmental Employees' Retirement System ("LGERS"), and Law Enforcement Officers Special Separation Allowance ("LEOSSA"). The *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has three types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (tax revenues) in the period the amounts become available. (2) The Town reports *deferred pension credits* in its Statements of Net Position in connection with the Town's participation in the State's LGERS and LEOSSA. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP. (3) The Town reports *deferred lease revenue* on the governmental funds balance sheet and government-wide Statement of Net Position; it is amortized in a systematic and rational method and recognized as an inflow of resources in future periods.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *11. Fund Balance*

In accordance with GAAP, the Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.).

**Restricted –** includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance for the Town could consists of:

**Restricted for Stabilization by State Statute** - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute ("RSS") is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation.

The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted net position and Restricted fund balance on the face of the balance sheet.

**Restricted for Cultural and Recreational -** portion of fund balance that is restricted by revenue source for certain cultural and recreational expenditures.

**Restricted for Public Safety –** portion of fund balance that is restricted by revenue sources for use in public safety activities, due to the sources being primarily from federal and state drug forfeitures and controlled substance tax and amounts donated/received by the Town for specific purposes.

**Restricted for Transportation** – portion of Powell Bill unexpended funds and other fund balances that are restricted by revenue source for street construction and maintenance expenditures (if any).

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

**Assigned –** includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council reserves the right to assign fund balance.

**Subsequent Year's Expenditures** – portion of fund balance (if any) that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *11. Fund Balance (Continued)*

**Unassigned –** includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town has not formally adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. However, the Town Manager currently uses resources in the following hierarchy: bond proceeds, federal funds, state funds, local non-Town funds, and 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 Town Manager has the authority to deviate from this policy if it is in the best interest of the Town.

The Town has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater then 25% of budgeted expenditures. Any portion of the General Fund balance in excess of 25% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

#### *12. Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

#### *13. Pensions*

In government-wide and Proprietary Fund financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net/total pension liability for each plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net/total pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis generally over a five-year period beginning with the period in which the difference occurred.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

#### *14. Fair Value*

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

#### *15. Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by all funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. Encumbrances and unused expenditure appropriations lapse at year end.

#### *16. Accounting Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent amounts at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### *17. Comparative Data*

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### 1. Budgetary Information

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, the Fire Department Fund, the Harmon Field Fund, the ARPA Fund, the Water and Sewer Fund, and the Sanitation Fund. All appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. All amendments must be approved by the governing board and the Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

### 2. Significant Violations of Finance-Related Legal and Contractual Provisions

#### a. Significant Noncompliance with North Carolina General Statutes

During the year, the Town did not always follow its purchasing policy or the State's pre-audit requirements for normal and electronic disbursements. The Town's current policy does not fully note all of the required pre-audit requirements (especially for electronic payments). The Town is in the process of updating its policies and procedures and will work with the NC Local Government Commission and its new accountant to properly address the relevant preaudit requirements.

The General Fund expenditures exceeded amounts appropriated in the budget by approximately $7,000 and $4,000 in Culture and Recreation and Debt Service, respectively. Additional expenditures were recorded, but corresponding budget amendments were not approved/made. Management and Town Council will more closely review the budgetary reports to ensure compliance in future years.

The Town budgeted a surplus for a number of the Town's funds (i.e. General Fund, Harmon Field Fund, etc.) which is not in compliance with NC General Statutes Section 159. Management and Town Council will work to ensure that its budget in in compliance with State law.

### 3. Deficit Net Position of Individual Fund

Due to increased costs of operations, the Sanitation Fund has a deficit net position as of June 30, 2022 of approximately $26,000 despite transferring in approximately $147,000 from the General Fund to support ongoing operations. Management is working to develop a plan (i.e. raising rates, moving sanitation back into the General Fund, etc.) to eliminate this deficit net position in future years.

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

### A. Deposits and Investments

***Deposits***

**Custodial Credit Risk for Deposits:** Deposits of the Town, the ABC Board, and the Authority are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage are collateralized with securities held by the Town's, the ABC Board's, or the Authority's agent in these unit's 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, ABC Board, and the Authority, these deposits are considered to be held by the Town's, ABC Board's and Authority's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual 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, the Authority, or the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, ABC Board, and Authority under the Pooling Method, the potential exists for under collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### A. Deposits and Investments (Continued)

***Deposits (Continued)***

The Town, ABC Board, and Authority 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 property secured.

At June 30, 2022, the Town's deposits had a carrying amount of approximately $2,096,000 and a bank balance of approximately $2,066,000. None of the Town's accounts were exposed to custodial credit risk.

At June 30, 2022, the ABC Board's deposits had a carrying amount of approximately $105,000 and a bank balance of approximately $113,000. All of the bank balances were covered by federal depository insurance.

At June 30, 2022, the Authority's deposits had a carrying amount of approximately $55,000 and bank balance of approximately $59,000. All of the bank balances were covered by federal depository insurance.

***Investments***

As of June 30, 2022, the Town had the following investments:

| Investment Type | Fair Value Level [1] | Credit Rating ^ | Fair Value | Weighted Average Maturity |
|---|---|---|---|---|
| NCCMT - Government Portfolio | Level 1 | AAAm/Aaa-mf | 262,287 | < 1 Year |

^ If available, credit ratings are for Standard & Poor's and Moody's Investors Service.

[1] See Note I.C.14 for details of the City's fair value hierarchy.

NCCMT - North Carolina Capital Management Trust

**Custodial Credit Risk:** For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments on collateral securities that are in the possession of an outside party. The Town has no formal policy on custodial credit risk, but management procedures are that the Town shall utilize a third-party custodial agent for book entry transactions, all of which shall be held in the Town's name.

**Interest Rate Risk:** The Town has a formal investment policy that prioritizes the goals of investment activities, within compliance of North Carolina General Statutes, in the order of (1) safety, (2) liquidity and (3) return. The Finance Director is the designated investment officer.

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

**Concentration of Credit Risk:** The Town's Council places no limit on the amount that the Town may invest in any one issuer. The Town held all of its investments in NCCMT – Government Portfolio.

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### A. Deposits and Investments (Continued)

***Reconciliation to the Financial Statements***

A reconciliation of cash and investments for all activities for the Primary Government is as follows:

| Description | Amount |
|---|---|
| Carrying Amount of Deposits | $ 2,095,624 |
| Fair Value of Investments | 262,287 |
| Total Deposits and Investments | $ 2,357,911 |
| Statement of Net Position: | |
| Cash and Cash Equivalents | $ 1,670,478 |
| Cash and Cash Equivalents, Restricted | 687,433 |
| Total Cash and Investments | $ 2,357,911 |

### B. Receivables and Unavailable, Deferred, and Unearned Revenues

***Property Taxes***

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1st. The Town does not provide for discounts for taxes paid prior to the due date. 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, Fire Department Fund, and Harmon Field Fund, ad valorem tax revenues are reported net of such discounts. The Town's fiscal year 2022 real and business personal property taxes (which excludes vehicle taxes), which was for tax year 2021, were levied in July 2021 based on a rate of .4810 (.5028 in the prior year), .0886 (.1060 in the prior year), and .0385 (.0450 in the prior year) for the General Fund, Fire Department Fund, and Harmon Field Fund, respectively.

Gross property taxes receivable of approximately $128,000 represent current and delinquent real and personal property, less an allowance for amounts estimated to be uncollectible of approximately $33,000. All net property taxes receivable at year end are recorded as unavailable revenue on the governmental fund financial statements and thus not recognized as revenue until collected in the governmental funds.

Effective as of September 1, 2013, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources (when applicable).

***Lease Receivable and Deferred Lease Revenue***

The Town entered into a lease with a tenant for the use of the concession stand at the Town's Harmon Field. The lease had an initial term of three years beginning in June 2022. Monthly lease payments for the use of the concession stand is currently $500 per month and will increase to $600 and $700 per month for next two years of the lease.

The Town implemented GASB #87 for the year ended June 30, 2022 using future lease payments to be received to measure the lease receivable. In addition, the lease receivable was discounted to a net present value using a 5.25% interest rate, a reasonable incremental borrowing rate for the Town at the inception of the lease. At June 30, 2022, the Town reported a lease receivable and a corresponding deferred lease revenue of approximately $19,000 as required by GASB #87. The Town is amortizing the deferred lease revenue over the life of the full lease term.

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### B. Receivables and Unavailable, Deferred, and Unearned Revenues (Continued)

***Lease Receivable and Deferred Lease Revenue (Continued)***

For the year ended June 30, 2022, the Town received approximately $500 from the tenant. Future payments due to the Town under the lease agreement are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 5,330 | 870 | $ 6,200 |
| 2024 | 6,846 | 554 | 7,400 |
| 2025 | 6,739 | 260 | 6,999 |
| Totals | $ 18,915 | 1,684 | $ 20,599 |

***Unavailable, Deferred, and Unearned Revenues***

Governmental funds report as a component of deferred inflows of resources (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue) and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue).

As of June 30, 2022, the Town had the following deferred inflows of resources in its governmental funds:

| Description | Fund(s) | Unavailable |
|---|---|---|
| Unavailable Revenue - Property Taxes | General Fund | $ 68,229 |
| Unavailable Revenue - Property Taxes | Fire Department Fund | 19,254 |
| Unavailable Revenue - Property Taxes | Harmon Field Fund | 7,318 |
| Deferred Lease Revenue | Harmon Field Fund | 18,915 |
| Total | | $ 113,716 |

### C. Interfund Balances and Transfers

Balances due to/from other funds at June 30, 2022, consist of the following:

| Fund | Receivables | Payables |
|---|---|---|
| **Major Governmental Funds:** | | |
| General Fund | $ 188,174 | $ 84,794 |
| **Major Enterprise Funds:** | | |
| Water and Sewer Fund | 144,256 | 188,174 |
| Sanitation Fund | - | 59,462 |
| Totals | $ 332,430 | $ 332,430 |

The interfund balances result from the time lag between when interfund goods and services are provided or reimbursable expenses occur and when transactions are recorded in the accounting system and payments between funds are made (to settle transactions).

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### C. Interfund Balances and Transfers (Continued)

For the year ended June 30, 2022, the Town had transfers between funds which consisted of the following:

| Fund | Transfers In | Transfers Out |
|---|---|---|
| **Major Governmental Funds** | | |
| General Fund | $ 52,997 | $ 146,604 |
| Fire Department Fund | - | 52,997 |
| ARPA Fund | - | 257,348 |
| **Major Enterprise Fund:** | | |
| Water and Sewer Fund | 257,348 | - |
| Sanitation Fund | 146,604 | - |
| Totals | $ 456,949 | $ 456,949 |

During the course of its operations, the Town has transactions occurring between funds. These transactions related to the Fire Department transferring funds to the General Fund to reimburse it for past transactions (that it did not expect to be repaid). Transfers from the ARPA Fund were to use stimulus revenues to reimburse the Water and Sewer Fund for government services through the "Revenue Loss" provision of the American Rescue Plan Act. The General Fund transferred funds to the Sanitation Fund to support the ongoing operations of this fund.

### D. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Capital Assets, Non-Depreciable: | | | | | |
| Land | $ 1,395,382 | 10,800 | - | - | $ 1,406,182 |
| Total Capital Assets, Non-Depreciable | 1,395,382 | 10,800 | - | - | 1,406,182 |
| Capital Assets, Depreciable: | | | | | |
| Buildings | 1,166,051 | - | - | - | 1,166,051 |
| Other Improvements | 1,681,651 | - | - | - | 1,681,651 |
| Equipment and Furniture | 1,862,944 | 18,869 | - | - | 1,881,813 |
| Vehicles | 2,012,427 | 85,000 | - | - | 2,097,427 |
| Total Capital Assets, Depreciable | 6,723,073 | 103,869 | - | - | 6,826,942 |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings | 822,805 | 38,195 | - | - | 861,000 |
| Other Improvements | 341,744 | 59,083 | - | - | 400,827 |
| Equipment and Furniture | 1,384,078 | 60,091 | - | - | 1,444,169 |
| Vehicles | 1,776,875 | 75,570 | - | - | 1,852,445 |
| Total Accumulated Depreciation | 4,325,502 | 232,939 | - | - | 4,558,441 |
| Total Capital Assets, Depreciable, Net | 2,397,571 | (129,070) | - | - | 2,268,501 |
| Governmental Activities Capital Assets, Net | $ 3,792,953 | (118,270) | - | - | $ 3,674,683 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### D. Capital Assets (Continued)

The Town has no significant construction commitments for its governmental activities as of June 30, 2022.

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

| Functions/Programs | Capital Asset Additions | Depreciation Expense |
|---|---|---|
| General Government | $ 10,800 | $ 20,173 |
| Public Safety | - | 79,034 |
| Transportation | 85,000 | 80,970 |
| Culture and Recreational | 18,869 | 52,762 |
| Total - Governmental Activities | $ 114,669 | $ 232,939 |

The Town received a donated fire truck for approximately $85,000 (which is included in the above totals).

Capital asset activity for the Town's business-type activities for the year ended June 30, 2022, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| ***Water and Sewer Fund*** | | | | | |
| Capital Assets, Non-Depreciable: | | | | | |
| Land | $ 72,469 | - | - | - | $ 72,469 |
| Construction In Progress | 47,770 | 119,138 | - | - | 166,908 |
| Total Capital Assets, Non-Depreciable | 120,239 | 119,138 | - | - | 239,377 |
| Capital Assets, Depreciable: | | | | | |
| Buildings and Improvements | 105,011 | - | - | - | 105,011 |
| Plant Distribution System Infrastructure | 13,997,408 | - | - | - | 13,997,408 |
| Equipment | 1,565,593 | 5,199 | - | - | 1,570,792 |
| Vehicles | 133,085 | - | - | - | 133,085 |
| Total Capital Assets, Depreciable | 15,801,097 | 5,199 | - | - | 15,806,296 |
| Less: Accumulated Depreciation for: | | | | | |
| Buildings and Improvements | 89,178 | 1,574 | - | - | 90,752 |
| Plant Distribution System Infrastructure | 8,666,872 | 214,931 | - | - | 8,881,803 |
| Equipment | 1,391,988 | 40,185 | - | - | 1,432,173 |
| Vehicles | 119,535 | 5,808 | - | - | 125,343 |
| Total Accumulated Depreciation | 10,267,573 | 262,498 | - | - | 10,530,071 |
| Total Capital Assets, Depreciable, Net | 5,533,524 | (257,299) | - | - | 5,276,225 |
| Water and Sewer Fund Capital Assets, Net | $ 5,653,763 | (138,161) | - | - | $ 5,515,602 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### D. Capital Assets (Continued)

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| ***Sanitation Fund*** | | | | | |
| Capital Assets, Depreciable: | | | | | |
| Vehicles | $ 145,041 | - | - | - | $ 145,041 |
| Equipment | 13,876 | - | - | - | 13,876 |
| Total Capital Assets, Being Depreciated | 158,917 | - | - | - | 158,917 |
| Less: Accumulated Depreciation for: | | | | | |
| Vehicles | 43,993 | 20,612 | - | - | 64,605 |
| Equipment | 5,550 | 2,775 | - | - | 8,325 |
| Total Accumulated Depreciation | 49,543 | 23,387 | - | - | 72,930 |
| Total Capital Assets, Depreciable, Net | 109,374 | (23,387) | - | - | 85,987 |
| Sanitation Fund Capital Assets, Net | 109,374 | (23,387) | - | - | 85,987 |
| Business-Type Activities Capital Assets, Net | $ 5,763,137 | (161,548) | - | - | $ 5,601,589 |

The Town has no significant construction commitments for its business-type activities as of June 30, 2022.

Capital asset additions and depreciation expense for business-type activities were charged to programs as follows:

| Functions/Programs | Capital Asset Additions | Depreciation Expense |
|---|---|---|
| Water and Sewer | $ 124,337 | $ 262,498 |
| Sanitation | - | 23,387 |
| Total - Business-Type Activities | $ 124,337 | $ 285,885 |

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **ABC Board (Component Unit)** | | | | |
| Capital Assets, Depreciable: | | | | |
| Store Equipment | $ 12,618 | - | - | $ 12,618 |
| Total Capital Assets, Depreciable | 12,618 | - | - | 12,618 |
| Less: Accumulated Depreciation for: | | | | |
| Store Equipment | 7,759 | 1,458 | - | 9,217 |
| Total Accumulated Depreciation | 7,759 | 1,458 | - | 9,217 |
| Total Capital Assets, Depreciable, Net | 4,859 | (1,458) | - | 3,401 |
| Business-Type Activities Capital Assets, Net | $ 4,859 | (1,458) | - | $ 3,401 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### D. Capital Assets (Continued)

Capital asset additions and depreciation expense for the ABC Board were as follows:

| Capital Asset Additions | Depreciation Expense |
|---|---|
| $ - | $ 1,458 |

The Tourism Development Authority has no capital assets as of June 30, 2022.

### E. Long-Term Obligations

The Town issues debt to provide funds for the acquisition and/or construction of major capital projects, vehicles, and equipment. These issuances were obtained/issued through direct borrowings or direct placements. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the Town. State Revolving Loans ("SRL") are generally loans from the Clean Water State Revolving Fund and Drinking Water State Revolving Fund for costs associated with water/sewer systems improvements. Debt service payments on SRL are generally payable from the revenues of the water/sewer system and any other monies due to the Town from the State may be withheld by the State and applied to the payment if the Town fails to pay any payment of principal or interest. The Installment Purchase Contracts ("IPC") are generally collateralized by the assets being financed, are not secured by the taxing power of the Town, and are subject to acceleration clauses in an event of default (i.e. nonpayment, etc.).

Details on the Town's outstanding debt issues (none of which are publicly traded) as of June 30, 2022 are as follows:

| ***State Revolving Loans*** | Balance at June 30, 2022 |
|---|---|
| On July 8, 2009, the Town entered into a revolving loan agreement ("SRL – July 2009") with the North Carolina Water Pollution Control Revolving Fund for the purpose of renovating the Town's water plant. The $3,579,592 financing arrangement requires annual principal installments of $169,141 and semi-annual interest payments at 2.48%, maturing May 1, 2033. | $ 1,860,547 |
| On May 19, 2010, the Town, along with the Towns of Saluda and Columbus, North Carolina, executed a revolving loan ("SRL – May 2010") with the North Carolina Rural Center for the Tryon/Saluda/Columbus joint waterline. Due to construction delays, the first draw on the loan did not take place until September 9, 2010. The $1,430,001 financing arrangement which is shared equally by the Town of Tryon, the Town of Saluda, and the Town of Columbus, requires annual principal installments of $70,488 with interest at 2.5%, maturing May 1, 2031. | 211,463 |
| ***Installment Purchase Contracts*** | |
| On July 1, 2008, the Town executed an installment purchase agreement ("IPC – July 2008) with a local bank for $463,405 to acquire a fire engine and equipment for the fire department. The financing arrangement was modified in April 2014 with a reduced interest rate. The agreement requires annual installments of $37,445 with interest at 2.50%, maturing on August 1, 2022. | 36,500 |
| On October 23, 2018, the Town executed an installment purchase agreement ("IPC – October 2018") with a local bank for $75,000 to acquire two 2018 Ford Explorers for the police department. The financing agreement requires annual installments of $16,325 with interest as 2.89%, maturing January 31, 2024. | $ 31,287 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### E. Long-Term Obligations (Continued)

| ***Installment Purchase Contracts (Continued)*** | Balance at June 30, 2022 |
|---|---|
| On January 3, 2019, the Town executed an installment purchase agreement ("IPC-A – January 2019") with a local bank for $139,000 to acquire a 2018 Freightliner rear loader refuse truck for the sanitation department. The financing agreement requires annual installments of $12,881 with interest at 4.43%, maturing March 29, 2034. | $ 117,925 |
| On January 3, 2019, the Town executed an installment purchase agreement ("IPC-B – January 2019") with a local bank for $56,000 to acquire a Caterpillar mini excavator for the water and sewer departments. The financing agreement requires annual installments of $12,284 with interest at 3.16%, maturing March 29, 2024. | $ 23,450 |

The Town implemented GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*" ("GASB #68") in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, net pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the Town's participation 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 and its related net pension liability (which is shown in the long-term obligation rollforward), see "Note IV.B Retirement/Pension Plans – Local Government Employees' Retirement System" for more details.

The Town implemented GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provision so GASB Statement 67 and 68"* in 2015. This statement established standards for the measurement, recognition, and display of pension expenditures/expenses, pension liabilities, deferred pension outflows/inflows, note disclosures, and required supplementary information in financial reports. For more information on the Town's Law Enforcement Officers Special Separation Allowance ("LEOSSA"), a single-employer defined benefit pension plan, which provides retirement benefits to the Town's qualified sworn law enforcement officers and its total pension liability (which is shown in the long-term obligation rollforward), see "Note IV.B Retirement/Pension Plans – Law Enforcement Officers Special Separation Allowance" for more details.

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2022:

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Direct Borrowings/Placements: | | | | | |
| Installment Purchase Contracts: | | | | | |
| IPC - July 2008 | $ 72,117 | - | 35,617 | 36,500 | $ 36,500 |
| IPC - June 2015 | 4,412 | - | 4,412 | - | - |
| IPC - September 2016 | 7,117 | - | 7,117 | - | - |
| IPC - November 2016 | 10,032 | - | 10,032 | - | - |
| IPC - October 2018 | 46,275 | - | 14,988 | 31,287 | 15,421 |
| Total Installment Purchase Contracts | 139,953 | - | 72,166 | 67,787 | 51,921 |
| Compensated Absences | 82,903 | 25,335 | 16,454 | 91,784 | 18,217 |
| Net Pension Liability - LGERS | 471,219 | - | 254,939 | 216,280 | - |
| Total Pension Liability - LEOSSA | 372,448 | - | 20,349 | 352,099 | - |
| Total Governmental Activities | $ 1,066,523 | 25,335 | 363,908 | 727,950 | $ 70,138 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### E. Long-Term Obligations (Continued)

Resources from the General Fund and Fire Department Fund have generally been used to liquidate the Town's governmental activities long-term debt. The Town's compensated absences and the pension liabilities for governmental activities have typically been liquidated in the fund for which the employee salary is charged.

Interest paid on the certain debt issued by the Town is exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town does not believe it has any arbitrage liability at June 30, 2022.

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2022:

| Long-Term Obligations | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Business-Type Activities:** | | | | | |
| Direct Borrowings/Placements: | | | | | |
| State Revolving Loans: | | | | | |
| SRL - July 2009 | $ 2,029,688 | - | 169,141 | 1,860,547 | $ 169,141 |
| SRL - May 2010 | 234,959 | - | 23,496 | 211,463 | 23,496 |
| Total State Revolving Loans | 2,264,647 | - | 192,637 | 2,072,010 | 192,637 |
| Installment Purchase Contracts: | | | | | |
| IPC-A - January 2019 | 125,256 | - | 7,331 | 117,925 | 7,657 |
| IPC-B - January 2019 | 34,640 | - | 11,190 | 23,450 | 11,543 |
| Total Installment Purchase Contracts | 159,896 | - | 18,521 | 141,375 | 19,200 |
| Total Direct Borrowings/Placements | 2,424,543 | - | 211,158 | 2,213,385 | 211,837 |
| Compensated Absences | 62,063 | 3,159 | 7,781 | 57,441 | 7,202 |
| Net Pension Liability - LGERS | 320,295 | - | 170,352 | 149,943 | - |
| Total Business-Type Activities | $ 2,806,901 | 3,159 | 389,291 | 2,420,769 | $ 219,039 |

Resources from the Water and Sewer Fund and the Sanitation Fund have generally been used to liquidate the Town's business-type activities long-term obligations.

Following is a summary of direct borrowing/placement debt service requirements to maturity by year for the Town's governmental and business-type activities as of June 30, 2022:

| | Installment Purchase Contracts | | |
|---|---|---|---|
| Year Ended June 30, | Principal | Interest | Total |
| **Governmental Activities:** | | | |
| 2023 | $ 51,921 | 1,829 | $ 53,750 |
| 2024 | 15,866 | 459 | 16,325 |
| Totals | $ 67,787 | 2,288 | $ 70,075 |

## III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

### E. Long-Term Obligations (Continued)

| Year Ended June 30, | State Revolving Loans | | Installment Purchase Contracts | | Total |
|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | |
| **Business-Type Activities** | | | | | |
| 2023 | $ 192,637 | 51,428 | 19,200 | 5,965 | $ 269,230 |
| 2024 | 192,637 | 46,647 | 19,903 | 5,261 | 264,448 |
| 2025 | 192,637 | 41,864 | 8,350 | 4,531 | 247,382 |
| 2026 | 192,637 | 37,082 | 8,720 | 4,161 | 242,600 |
| 2027 | 192,637 | 32,299 | 9,106 | 3,774 | 237,816 |
| 2028-2032 | 939,688 | 89,768 | 51,951 | 12,451 | 1,093,858 |
| 2033-2034 | 169,137 | 4,194 | 24,145 | 1,617 | 199,093 |
| Totals | $ 2,072,010 | 303,282 | 141,375 | 37,760 | $ 2,554,427 |

## IV. OTHER INFORMATION

### A. 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 carries commercial insurance to cover property, general liability, and auto liability coverage of $5,000,000 per occurrence and workmen's compensation coverage of $500,000 per accident. 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 is not in a flood plain and does not carry flood insurance.

The ABC Board 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 ABC Board has property, general liability, workers' compensation and employee health coverage. The ABC Board also has liquor legal liability coverage. Claims have not exceeded coverage in any of the past three fiscal years and there has been no significant reduction in insurance coverage in the prior year.

In accordance with G.S. 159-29, the finance officer of both the Town and the Authority are individually bonded for $250,000 and the tax collector is individually bonded for $250,000. The remaining employees that have access to funds are bonded under a blanket bond for $250,000.

### B. Retirement/Pension Plans

***Local Governmental Employees' Retirement System***

*Plan Description*

The Town 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 ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members.

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Local Governmental Employees' Retirement Systems (Continued)***

*Plan Description (Continued)*

The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

*Benefits Provided*

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

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

*Contributions*

Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.46% of compensation for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town and by employees were approximately $207,000 and $108,000 for the year ended June 30, 2022, respectively.

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Local Governmental Employees' Retirement System (Continued)***

*Refunds of Contributions*

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

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

At June 30, 2022, the Town reported a liability of approximately $366,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At the June 30, 2021 measurement date, the Town's proportion was 0.02388%, which was an increase of 0.00173% from its proportion of 0.02215% measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of approximately $187,000. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 116,509 | $ - |
| Changes in Assumptions | 230,081 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 523,222 |
| Changes in Proportion and Differences between Town Contributions and Proportionate Share of Contributions | 76,166 | 6,874 |
| Town Contributions Subsequent to the Measurement Date | 207,436 | - |
| | $ 630,192 | $ 530,096 |

Approximately $207,000 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2023 | $ 59,013 |
| 2024 | 20,732 |
| 2025 | (26,975) |
| 2026 | (160,110) |
| Total | $ (107,340) |

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Local Governmental Employees' Retirement System (Continued)***

*Actuarial Assumptions*

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary Increases | 3.25 to 8.25 percent, including inflation and productivity factor |
| Investment Rate of Return | 6.50 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 assumptions used for the December 31, 2020 actuarial valuation are based on the experience study prepared as of December 31, 2019 and adopted by the Board of Trustees on January 28, 2021. Material assumptions and methods that were changed since the prior valuation include:

- The investment return assumption was lowered from 7.00% to 6.50%.
- The inflation assumption was lowered from 3.00% to 2.50%.
- The real wage growth assumption was increased from 0.50% to 0.75%.
- The payroll growth assumption was lowered from 3.50% to 3.25%.
- The administrative expense assumption was changed from 0.20% of payroll for general employees and firefighters to 0.13% of payroll for general employees and firefighters.
- The withdrawal rates, retirement rates, mortality assumption, annual rate of salary increase assumption and leave conversion assumptions were changed.
- The marriage assumption was changed from assuming male spouses are four years older than female spouses to assume that male spouses are three years older than female spouses.
- The method for valuing inactive members was changed from 200% of the member's accumulated contributions, to using existing actual data and estimating earnings and average final compensation where actual data isn't available for members with five or more years of service, and using 100% of the member's accumulated contributions for members with less than five years of service.

Future ad hoc cost of living adjustments ("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.

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Local Governmental Employees' Retirement System (Continued)***

*Actuarial Assumptions (Continued)*

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 (measurement date) are summarized in the following table:

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

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

*Discount Rate*

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity Analysis*

The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|---|---|---|
| Town's Proportionate Share of the Net Pension Liability (Asset) | $ 1,421,646 | 366,223 | $ (502,329) |

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

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Law Enforcement Officers Special Separation Allowance***

*Plan Description*

The Town administers the Law Enforcement Officers Special Separation Allowance ("Separation Allowance" or "LEOSSA"), 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 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

| | |
|---|---|
| Retirees Receiving Benefits | 1 |
| Active Plan Members | 7 |
| Total | 8 |

*Basis of Accounting*

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

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

*Actuarial Assumptions*

The actuarial assumptions used in the December 31, 2020 actuarial valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019. The entry age actuarial cost method was used in the December 31, 2020 valuation. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.50 percent |
| Salary Increases | 3.25 to 7.75 percent, including inflation and productivity factor |
| Discount Rate | 2.25 percent (1.93% for prior measurement date) |
| Cost of Living Adjustments | N/A |

The discount rate is based on the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020. Mortality rates are based on the Pub-2010 amount-weighted tables.

Based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following assumptions were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Law Enforcement Officers Special Separation Allowance (Continued)***

*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 the LEOSSA 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 approximately $10,000 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of approximately $352,000. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of approximately $11,000.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 37,715 | $ 93,821 |
| Changes of Assumptions and Other Inputs | 66,897 | 9,696 |
| Town Benefit Payments and Plan Administrative Expenses Made Subsequent to the Measurement Date | 4,839 | - |
| Total | $ 109,451 | $ 103,517 |

Approximately $5,000 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2023 | $ (11,672) |
| 2024 | 2,399 |
| 2025 | 8,288 |
| 2026 | 7,767 |
| 2027 | (5,687) |
| Total | $ 1,095 |

## IV. OTHER INFORMATION (CONTINUED)

### B. Retirement/Pension Plans (Continued)

***Law Enforcement Officers Special Separation Allowance (Continued)***

*Schedule of Changes in Total Pension Liability*

| | |
|---|---|
| Total Pension Liability as of December 31, 2020 Measurement Date | $ 372,448 |
| Changes for the Year: | |
| Service Cost at End of Year | 17,847 |
| Interest on the Total Pension Liability | 7,095 |
| Differences Between Expected and Actual Experience | (27,774) |
| Changes of Assumptions and Other Inputs | (7,838) |
| Benefit Payments | (9,679) |
| Net Changes | (20,349) |
| Total Pension Liability as of December 31, 2021 Measurement Date | $ 352,099 |

*Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate*

The following presents the Town's total pension liability calculated using the discount rate of 2.25 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current rate:

| | 1% Decrease (1.25%) | Discount Rate (2.25%) | 1% Increase (3.25%) |
|---|---|---|---|
| Total Pension Liability | $ 377,162 | 352,099 | $ 328,681 |

***Supplemental Retirement Income Plan for General Employees and Law Enforcement Officers***

*Plan Description*

The Town contributes to the Supplemental Retirement Income Plan ("Plan"), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to general employees and 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 is included in the ACFR for the State of North Carolina. The State's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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 general employee's and officer's salary, and all amounts contributed are vested immediately. General employees and law enforcement officers may also make voluntary contributions to the Plan. Total contributions from the Town and employees for the year ended June 30, 2022 were approximately $42,000 and $50,000.

## IV. OTHER INFORMATION (CONTINUED)

### C. Other Employment Benefits

***Death Benefit Plan***

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System ("Death Benefit Plan" or "System"), 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.

### D. Contingent Liabilities and Commitments

***Litigation***

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

***Grants***

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town's applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2022.

### E. Net Investment in Capital Assets

Net Investment in Capital Assets was calculated as follows:

| | Governmental Activities | Business-Type Activities |
|---|---|---|
| Capital Assets, Net | $ 3,674,683 | $ 5,601,589 |
| Long-Term Debt | (67,787) | (2,213,385) |
| Net Investment in Capital Assets | $ 3,606,896 | $ 3,388,204 |

## IV. OTHER INFORMATION (CONTINUED)

### F. Fund Balance

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

| | |
|---|---|
| Total Fund Balance - General Fund | $ 1,848,102 |
| Less: | |
| Stabilization by State Statute | (362,581) |
| Restricted by Function | (94,280) |
| Assigned by Function | (39,233) |
| Unassigned Fund Balance - General Fund | $ 1,352,008 |

The Town has adopted an Available Fund Balance policy for the General Fund to be at a minimum of twenty five percent (25%) of the Town's budgeted expenditures.

### G. Subsequent Events

In August 2022, the Town purchased a 2022 Ford F550 for approximately $63,000.

In August 2022, the Town received its second allocation of approximately $258,000 in ARPA funds.

In September 2022, the Town purchased a zero turn mower for approximately $14,000.

In February 2023, one of the Town's employees was injured in an accident at the Wastewater Treatment Plant. It is not presently determinable at this time the Town's exposure, if any, related to this accident.

# REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF TRYON, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**
**SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY**

**LAST SIX FISCAL YEARS**

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 ^ | 2020 | 2019 | 2018 | 2017 |
| Beginning Balance of the Total Pension Liability | $ 372,448 | 208,222 | 305,123 | 339,373 | 360,676 | $ 341,687 |
| Changes for the Year: | | | | | | |
| Service Cost | 17,847 | 10,263 | 8,592 | 9,132 | 10,320 | 16,431 |
| Interest on Total Pension Liability | 7,095 | 6,630 | 10,927 | 10,624 | 13,921 | 12,198 |
| Difference Between Expected and Actual Experience in the Measurement of the Total Pension Liability | (27,774) | 59,391 | (111,526) | (37,371) | (64,796) | - |
| Changes of Assumptions or Other Inputs | (7,838) | 97,621 | 4,972 | (10,307) | 19,252 | (9,640) |
| Benefit Payments | (9,679) | (9,679) | (9,866) | (6,328) | - | - |
| Net Changes | (20,349) | 164,226 | (96,901) | (34,250) | (21,303) | 18,989 |
| Ending Balance of the Total Pension Liability | $ 352,099 | 372,448 | 208,222 | 305,123 | 339,373 | $ 360,676 |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the prior December 31st.
The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

| | | | | | | |
|---|---|---|---|---|---|---|
| The discount rate used for each year was as follows: | 2.25% | 1.93% | 3.26% | 3.64% | 3.16% | 3.86% |

^ Based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following assumptions were updated: mortality rates, salary increase rates, service retirement rates, disability retirement rates, termination rates, real wage growth, and leave conversion service.

**TOWN OF TRYON, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE**
**SCHEDULE OF TOTAL PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL**

**LAST SIX FISCAL YEARS**

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Total Pension Liability | $ 352,099 | 372,448 | 208,222 | 305,123 | 339,373 | $ 360,676 |
| Covered Payroll | $ 429,814 | 388,580 | 326,600 | 272,234 | 372,611 | $ 540,227 |
| Total Pension Liability as a Percentage of Covered Payroll | 81.92% | 95.85% | 63.75% | 112.08% | 91.08% | 66.76% |

**Notes to Schedule:**

The Town has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.
The Town implemented GASB #73 during the year ended June 30, 2017. Information before 2017 is not available.

| | | | | | | |
|---|---|---|---|---|---|---|
| The discount rate used for each year was as follows: | 2.25% | 1.93% | 3.26% | 3.64% | 3.16% | 3.86% |

**TOWN OF TRYON, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**

**LAST NINE FISCAL YEARS**

| | Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 ^ | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Town's Proportion of the Net Pension Liability (Asset) | 0.023880% | 0.022150% | 0.019120% | 0.018090% | 0.023450% | 0.023220% | 0.021720% | 2.279000% | 0.023100% |
| Town's Proportionate Share of the Net Pension Liability | $ 366,223 | 791,514 | 522,152 | 429,157 | 358,252 | 492,806 | 97,478 | (134,403) | $ 278,444 |
| Town's Covered Payroll | $ 1,825,390 | 1,569,850 | 1,435,582 | 1,517,108 | 1,517,108 | 1,448,826 | 1,341,741 | 1,344,301 | $ 1,294,327 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 20.06% | 50.42% | 36.37% | 28.29% | 23.61% | 34.01% | 7.27% | -10.00% | 21.51% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 95.51% | 88.61% | 91.63% | 94.18% | 91.47% | 98.09% | 99.07% | 102.64% | 94.35% |



**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.
The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.
^ Based on the results of an experience study completed by the actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019, the following assumptions were updated: investment return, inflation, real wage growth, payroll growth, administrative expense, withdrawal rates, retirement rates, mortality, annual rate of salary increase, leave conversion, marriage, and the method of valuing inactive members. See Note IV.B in the notes to the Town's fiscal year 2022 financial statements for more details.

**TOWN OF TRYON, NORTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**LOCAL GOVERNMENTAL EMPLOYEES' RETIREMENT SYSTEM**
**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

**LAST NINE FISCAL YEARS**

| | Year Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually Required Contribution | $ 207,436 | 190,434 | 144,666 | 113,811 | 113,783 | 109,990 | 99,522 | 96,052 | $ 95,798 |
| Contributions in Relation to the Contractually Required Contribution: | 207,436 | 190,434 | 144,666 | 113,811 | 113,783 | 109,990 | 99,522 | 96,052 | 95,798 |
| Contribution Deficiency (Excess) | $ - | - | - | - | - | - | - | - | $ - |
| Town's Covered Payroll | $ 1,793,290 | 1,825,390 | 1,569,850 | 1,435,582 | 1,517,108 | 1,517,108 | 1,448,826 | 1,341,741 | $ 1,344,301 |
| Contributions as a Percentage of Covered Payroll | 11.57% | 10.43% | 9.22% | 7.93% | 7.50% | 7.25% | 6.87% | 7.16% | 7.13% |



**Notes to Schedule:**

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

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# SUPPLEMENTARY INFORMATION

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| Ad Valorem Taxes: | | | |
| Taxes | $ 1,033,412 | 1,033,434 | $ 22 |
| Penalties and Interest | 194 | 194 | - |
| Total | 1,033,606 | 1,033,628 | 22 |
| Unrestricted Intergovernmental Revenue: | | | |
| Local Option Sales Taxes | 501,774 | 501,315 | (459) |
| Payment in Lieu of Taxes (External Sources) | 154,000 | 156,952 | 2,952 |
| Utility Sales Tax | 140,000 | 131,085 | (8,915) |
| Beer and Wine Tax | 6,163 | 6,164 | 1 |
| Total | 801,937 | 795,516 | (6,421) |
| Restricted Intergovernmental Revenue: | | | |
| Powell Bill Allocation | 68,973 | 68,973 | - |
| Total | 68,973 | 68,973 | - |
| Sales And Services: | | | |
| Rents, Concessions, and Other Services | 31,335 | 34,297 | 2,962 |
| Total | 31,335 | 34,297 | 2,962 |
| Investment Earnings | 3,133 | 3,402 | 269 |
| Miscellaneous Revenues: | | | |
| Contributions | 12,000 | 12,000 | - |
| Miscellaneous | 3,321 | 31,169 | 27,848 |
| Total | 15,321 | 43,169 | 27,848 |
| **TOTAL REVENUES** | **1,954,305** | **1,978,985** | **24,680** |
| **EXPENDITURES** | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries and Employee Benefits | 16,793 | 16,794 | (1) |
| Operating Expenditures | 42,332 | 37,352 | 4,980 |
| Total | 59,125 | 54,146 | 4,979 |
| Administration: | | | |
| Salaries and Employee Benefits | 441,136 | 436,875 | 4,261 |
| Operating Expenditures | 316,986 | 324,477 | (7,491) |
| Capital Outlay | 11,800 | 766 | 11,034 |
| Total | 769,922 | 762,118 | 7,804 |
| Total General Government | $ 829,047 | 816,264 | $ 12,783 |

(Continued)

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL - GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| Public Safety: | | | |
| Police: | | | |
| Salaries and Employee Benefits | $ 533,324 | 511,287 | $ 22,037 |
| Operating Expenditures | 142,339 | 110,827 | 31,512 |
| Total Public Safety | 675,663 | 622,114 | 53,549 |
| Economic Development: | | | |
| Planning and Zoning: | | | |
| Operating Expenditures | 20,000 | 4,294 | 15,706 |
| Total Economic Development | 20,000 | 4,294 | 15,706 |
| Streets and Highways: | | | |
| Salaries and Employee Benefits | 176,724 | 171,682 | 5,042 |
| Operating Expenditures | 189,848 | 194,437 | (4,589) |
| Capital Outlay | 13,181 | 3,931 | 9,250 |
| Total Transportation | 379,753 | 370,050 | 9,703 |
| Culture and Recreation: | | | |
| Parks and Recreation: | | | |
| Operating Expenditures | 19,500 | 26,866 | (7,366) |
| Total Culture and Recreation | 19,500 | 26,866 | (7,366) |
| Debt Service: | | | |
| Principal | 22,091 | 26,517 | (4,426) |
| Interest and Bank Fees | 1,499 | 1,484 | 15 |
| Total Debt Service | 23,590 | 28,001 | (4,411) |
| **TOTAL EXPENDITURES** | **1,947,553** | **1,867,589** | **79,964** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **6,752** | **111,396** | **104,644** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Insurance Recovery | 15,006 | 15,006 | - |
| Sale of Capital Assets | 159,230 | 32,820 | (126,410) |
| Transfers In | 52,997 | 52,997 | - |
| Transfers Out | (168,016) | (146,604) | 21,412 |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **59,217** | **(45,781)** | **(104,998)** |
| Fund Balance Appropriated (Surplus) | (65,969) | - | 65,969 |
| **NET CHANGE IN FUND BALANCE** | **$ -** | **65,615** | **$ 65,615** |
| FUND BALANCE, Beginning of Year | | 1,782,487 | |
| **FUND BALANCE, End of Year** | | **$ 1,848,102** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL - FIRE DEPARTMENT FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| Ad Valorem Taxes: | | | |
| Taxes | $ 582,981 | 585,438 | $ 2,457 |
| Total | 582,981 | 585,438 | 2,457 |
| Investment Earnings | - | 1,952 | 1,952 |
| Miscellaneous Revenues: | | | |
| Contributions | 5,920 | 5,920 | - |
| Miscellaneous | 45,881 | 9,803 | (36,078) |
| Total | 51,801 | 15,723 | (36,078) |
| **TOTAL REVENUES** | **634,782** | **603,113** | **(31,669)** |
| **EXPENDITURES** | | | |
| Public Safety: | | | |
| Salaries and Employee Benefits | 415,971 | 390,871 | 25,100 |
| Operating Expenditures | 197,827 | 187,432 | 10,395 |
| Capital Outlay | 3 | - | 3 |
| Total | 613,801 | 578,303 | 35,498 |
| Debt Service: | | | |
| Principal | 45,545 | 45,649 | (104) |
| Interest and Bank Fees | 2,166 | 2,060 | 106 |
| Total Debt Service | 47,711 | 47,709 | 2 |
| **TOTAL EXPENDITURES** | **661,512** | **626,012** | **35,500** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **(26,730)** | **(22,899)** | **3,831** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Insurance Recovery | 4,343 | 4,343 | - |
| Transfers Out | (52,997) | (52,997) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **(48,654)** | **(48,654)** | **-** |
| Fund Balance Appropriated (Surplus) | 75,384 | - | (75,384) |
| **NET CHANGE IN FUND BALANCE** | **$ -** | **(71,553)** | **$ (71,553)** |
| FUND BALANCE, Beginning of Year | | 320,727 | |
| **FUND BALANCE, End of Year** | | **$ 249,174** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL - HARMON FIELD FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| Ad Valorem Taxes: | | | |
| Taxes | $ 223,431 | 224,264 | $ 833 |
| Total | 223,431 | 224,264 | 833 |
| Unrestricted Intergovernmental Revenue: | | | |
| Polk County Appearance Commission | 715 | 716 | 1 |
| Total | 715 | 716 | 1 |
| Sales And Services: | | | |
| Rent, Concessions, and Other Services | 35,725 | 42,050 | 6,325 |
| Total | 35,725 | 42,050 | 6,325 |
| Investment Earnings | - | 34 | 34 |
| **TOTAL REVENUES** | **259,871** | **267,064** | **7,193** |
| **EXPENDITURES** | | | |
| Culture and Recreation: | | | |
| Grounds Maintenance: | | | |
| Salaries and Employee Benefits | 158,060 | 154,238 | 3,822 |
| Operating Expenditures | 85,270 | 80,067 | 5,203 |
| Capital Outlay | 20,190 | 20,190 | - |
| Total Culture and Recreation | 263,520 | 254,495 | 9,025 |
| **TOTAL EXPENDITURES** | **263,520** | **254,495** | **9,025** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **(3,649)** | **12,569** | **16,218** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Insurance Recovery | 108,584 | 108,584 | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **108,584** | **108,584** | **-** |
| Fund Balance Appropriated (Surplus) | (104,935) | - | 104,935 |
| **NET CHANGE IN FUND BALANCE** | **$ -** | **121,153** | **$ 121,153** |
| FUND BALANCE, Beginning of Year | | 26,268 | |
| **FUND BALANCE, End of Year** | | **$ 147,421** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - FINAL BUDGET AND ACTUAL - ARPA FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| ARPA Stimulus Grants | $ 257,348 | 257,348 | $ - |
| **TOTAL REVENUES** | **257,348** | **257,348** | **-** |
| **EXPENDITURES** | | | |
| ARPA Expenditures | - | - | - |
| **TOTAL EXPENDITURES** | **-** | **-** | **-** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **257,348** | **257,348** | **-** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers Out | (257,348) | (257,348) | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **(257,348)** | **(257,348)** | **-** |
| Fund Balance Appropriated (Surplus) | - | - | - |
| **NET CHANGE IN FUND BALANCE** | **$ -** | **-** | **$ -** |
| FUND BALANCE, Beginning of Year | | - | |
| **FUND BALANCE, End of Year** | | **$ -** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE |
|---|---|---|---|
| **REVENUES** | | | |
| **Operating Revenues:** | | | |
| Charges for Services | | | |
| Water Sales | $ 1,048,200 | 1,236,064 | $ 187,864 |
| Sewer Charges | 457,500 | 497,302 | 39,802 |
| Water and Sewer Taps | 12,500 | 20,170 | 7,670 |
| **Total Operating Revenues** | **1,518,200** | **1,753,536** | **235,336** |
| **Nonoperating Revenues:** | | | |
| Interest Earned on Investments | - | 210 | 210 |
| Other Non-Operating Revenue | 62,138 | 30 | (62,108) |
| **Total Nonoperating Revenues** | **62,138** | **240** | **(61,898)** |
| **TOTAL REVENUES** | **1,580,338** | **1,753,776** | **173,438** |
| **EXPENDITURES** | | | |
| Water and Sewer Distribution: | | | |
| Salaries and Employee Benefits | 278,556 | 232,679 | 45,877 |
| Outside Services | 15,000 | 14,486 | 514 |
| Utilities | 6,500 | 3,730 | 2,770 |
| Telephone | 5,790 | 5,224 | 566 |
| Advertising | 250 | - | 250 |
| Uniforms | 1,400 | 1,382 | 18 |
| Professional Services | 3,843 | - | 3,843 |
| Insurance | 4,000 | 14,613 | (10,613) |
| Dues and Subscriptions | 200 | 110 | 90 |
| Materials and Supplies | 82,700 | 64,815 | 17,885 |
| Repairs and Maintenance | 12,000 | 10,746 | 1,254 |
| Travel | 100 | 50 | 50 |
| Total | 410,339 | 347,835 | 62,504 |
| Water Treatment Plant: | | | |
| Salaries and Employee Benefits | 255,964 | 252,678 | 3,286 |
| Outside Services | 21,000 | 20,244 | 756 |
| Utilities | 63,000 | 58,281 | 4,719 |
| Uniforms | 943 | 943 | - |
| Materials and Supplies | 106,600 | 108,240 | (1,640) |
| Office Supplies and Postage | 4,315 | 4,313 | 2 |
| Repairs and Maintenance | 16,300 | 14,934 | 1,366 |
| Advertising | 200 | 73 | 127 |
| Telephone | 4,960 | 4,491 | 469 |
| Travel | 1,200 | 1,182 | 18 |
| Licenses and Permits | 8,000 | 2,175 | 5,825 |
| Insurance | 10,400 | 10,400 | - |
| Dues and Subscriptions | 705 | 705 | - |
| Total | 493,587 | 478,659 | 14,928 |
| Wastewater Plant Operations: | | | |
| Salaries and Employee Benefits | 177,396 | 164,830 | 12,566 |
| Outside Services | 48,000 | 46,999 | 1,001 |
| Telephone | 2,890 | 2,390 | 500 |
| Utilities | 22,000 | 18,097 | 3,903 |
| Materials and Supplies | 14,300 | 11,764 | 2,536 |
| Repairs and Maintenance | 5,000 | 2,273 | 2,727 |
| Advertising | 395 | 238 | 157 |
| Uniforms | $ 565 | 564 | $ 1 |

(Continued)

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - WATER AND SEWER FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE |
|---|---|---|---|
| Wastewater Plant Operations: (Continued) | | | |
| Insurance | $ 6,500 | 6,500 | $ - |
| Office Supplies and Postage | 2,200 | 2,156 | 44 |
| Dues and Subscriptions | 400 | 410 | (10) |
| Travel | 555 | 552 | 3 |
| Licenses and Permits | 5,560 | 5,560 | - |
| Total | 285,761 | 262,333 | 23,428 |
| Wastewater Collection: | | | |
| Salaries and Employee Benefits | 146,742 | 144,255 | 2,487 |
| Outside Services | 140,449 | 19,089 | 121,360 |
| Utilities | 1,000 | 665 | 335 |
| Telephone | 1,600 | 1,408 | 192 |
| Advertising | 150 | - | 150 |
| Uniforms | 467 | 467 | - |
| Insurance | 5,000 | 5,000 | - |
| Dues and Subscriptions | 500 | 50 | 450 |
| Materials and Supplies | 9,122 | 8,881 | 241 |
| Repairs and Maintenance | 17,500 | 2,273 | 15,227 |
| Travel | 500 | 100 | 400 |
| Other Departmental Expense | - | 243 | (243) |
| Total | 323,030 | 182,431 | 140,599 |
| Debt Service: | | | |
| Principal Retirement | 250,726 | 203,827 | 46,899 |
| Interest and Other Charges | 69,043 | 52,032 | 17,011 |
| Total Debt Service | 319,769 | 255,859 | 63,910 |
| Capital Outlay | 5,200 | 124,337 | (119,137) |
| **TOTAL EXPENDITURES** | **1,837,686** | **1,651,454** | **186,232** |
| **REVENUES OVER (UNDER) EXPENDITURES** | **(257,348)** | **102,322** | **359,670** |
| **INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS** | **(257,348)** | **102,322** | **359,670** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In | 257,348 | 257,348 | - |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **257,348** | **257,348** | **-** |
| Fund Balance Appropriated (Surplus) | - | | - |
| **REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** | $ - | 359,670 | $ 359,670 |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Payment of Debt Principal | | 203,827 | |
| Capital Outlay | | 124,337 | |
| Other | | (1,772) | |
| Change in Accrued Interest | | 887 | |
| Depreciation | | (262,498) | |
| Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions | | 4,013 | |
| Change in Compensated Absences | | 5,153 | |
| **CHANGE IN NET POSITION** | | **$ 433,617** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE**

**SCHEDULE OF REVENUES AND EXPENDITURES - FINAL BUDGET AND ACTUAL (NON-GAAP) - SANITATION FUND**

**YEAR ENDED JUNE 30, 2022**

| | FINAL BUDGET | ACTUAL | VARIANCE |
|---|---|---|---|
| **REVENUES** | | | |
| **Operating Revenues:** | | | |
| Charges for Services | | | |
| Sanitation Fees | $ 245,000 | 258,147 | $ 13,147 |
| Other Operating Revenues | 4,450 | 4,457 | 7 |
| **Total Operating Revenues** | 249,450 | 262,604 | 13,154 |
| **Nonoperating Revenues:** | | | |
| Solid Waste Disposal Tax | 1,237 | 1,508 | 271 |
| **Total Nonoperating Revenues** | 1,237 | 1,508 | 271 |
| **TOTAL REVENUES** | **250,687** | **264,112** | **13,425** |
| **EXPENDITURES** | | | |
| Sanitation: | | | |
| Salaries and Employee Benefits | 167,355 | 165,396 | 1,959 |
| Outside Services | 32 | 32 | - |
| Telephone | 1,230 | 1,230 | - |
| Materials and Supplies | 19,800 | 19,902 | (102) |
| Office Supplies and Postage | 2,157 | 2,156 | 1 |
| Tipping Charges | 57,000 | 52,641 | 4,359 |
| Repairs and Maintenance | 30,300 | 30,258 | 42 |
| Uniforms | 994 | 994 | - |
| Professional Services | 3,843 | 3,843 | - |
| Insurance | 2,200 | 3,870 | (1,670) |
| Travel | 387 | 387 | - |
| Total | 285,298 | 280,709 | 4,589 |
| Debt Service: | | | |
| Principal Retirement | 7,640 | 7,331 | 309 |
| Interest and Other Charges | 5,212 | 5,521 | (309) |
| Total Debt Service | 12,852 | 12,852 | - |
| **TOTAL EXPENDITURES** | **298,150** | **293,561** | **4,589** |
| **REVENUES OVER (UNDER) EXPENDITURES** | **(47,463)** | **(29,449)** | **18,014** |
| **INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS** | **(47,463)** | **(29,449)** | **18,014** |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In | 168,016 | 146,604 | (21,412) |
| **TOTAL OTHER FINANCING SOURCES (USES)** | **168,016** | **146,604** | **(21,412)** |
| Fund Balance Appropriated (Surplus) | (120,553) | - | 120,553 |
| **REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES** | **$ -** | **117,155** | **$ 117,155** |
| Reconciliation from budgetary basis (modified accrual) to full accrual: | | | |
| Payment of Debt Principal | | 7,331 | |
| Depreciation | | (23,387) | |
| Change in Accrued Interest | | 83 | |
| Change in Net Pension Asset (Liability) and Deferred Items Related to Pensions | | 2,870 | |
| Change in Compensated Absences | | (531) | |
| **CHANGE IN NET POSITION** | | **$ 103,521** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SUPPLEMENTARY INFORMATION - COMPONENT UNIT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - TOURISM DEVELOPMENT AUTHORITY**

**YEAR ENDED JUNE 30, 2022**

| | BUDGET | ACTUAL | VARIANCE POSITIVE (NEGATIVE) |
|---|---|---|---|
| **REVENUES** | | | |
| Other Taxes and Licenses: | | | |
| Occupancy Taxes | $ 43,800 | 42,961 | $ (839) |
| Investment Earnings | 68 | 77 | 9 |
| **TOTAL REVENUES** | **43,868** | **43,038** | **(830)** |
| **EXPENDITURES** | | | |
| Economic Development: | | | |
| Operating Expenditures | 31,592 | 27,917 | 3,675 |
| Total | 31,592 | 27,917 | 3,675 |
| **TOTAL EXPENDITURES** | **31,592** | **27,917** | **3,675** |
| **EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES** | **12,276** | **15,121** | **2,845** |
| Fund Balance Appropriated (Surplus) | (12,276) | - | 12,276 |
| **NET CHANGE IN FUND BALANCE** | **$ -** | **15,121** | **$ 15,121** |
| FUND BALANCE, Beginning of Year | | 39,352 | |
| **FUND BALANCE, End of Year** | | **$ 54,473** | |

**TOWN OF TRYON, NORTH CAROLINA**

**SCHEDULE OF AD VALOREM TAXES RECEIVABLE - GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

| Fiscal Year | Uncollected Balance June 30, 2021 | Additions | Collections and Credits | Other Adjustments | Uncollected Balance June 30, 2022 |
|---|---|---|---|---|---|
| 2021-2022 | $ - | 1,067,374 | 1,041,704 | - | $ 25,670 |
| 2020-2021 | 28,462 | - | 12,928 | 1,720 | 17,254 |
| 2019-2020 | 16,490 | - | 3,530 | 40 | 13,000 |
| 2018-2019 | 11,139 | - | 1,393 | (675) | 9,071 |
| 2017-2018 | 4,514 | - | 899 | (1,248) | 2,367 |
| 2016-2017 | 3,278 | - | 77 | (731) | 2,470 |
| 2015-2016 | 2,585 | - | 213 | (866) | 1,506 |
| 2014-2015 | 1,903 | - | - | (768) | 1,135 |
| 2013-2014 | 2,618 | - | 17 | (1,093) | 1,508 |
| 2012-2013 | 2,784 | - | - | (1,185) | 1,599 |
| 2011-2012 | 2,382 | - | 1,343 | (1,039) | - |
| Totals | $ 76,155 | 1,067,374 | 1,062,104 | (5,845) | $ 75,580 |

| | |
|---|---|
| Plus: Collections by State in June 2022 but not Remitted to Town until July 2022 | 18,954 |
| Less: Allowance for Uncollectible Ad Valorem Taxes Receivable | (26,305) |
| Ad Valorem Taxes Receivable, Net | $ 68,229 |

Reconciliation to Revenues:

| | |
|---|---|
| Ad Valorem and Vehicle Taxes - General Fund | $ 1,033,628 |
| Reconciling Items: | |
| Interest Collected | (194) |
| Discounts Allowed | 9,867 |
| Taxes Written Off | 1,343 |
| Other | 17,460 |
| Subtotal | 28,476 |
| Total Collections and Credits | $ 1,062,104 |

**TOWN OF TRYON, NORTH CAROLINA**

**ANALYSIS OF CURRENT TAX LEVY - TOWN-WIDE - GENERAL FUND**

**YEAR ENDED JUNE 30, 2022**

| | Town-Wide | | | Total Levy | |
|---|---|---|---|---|---|
| **Original Levy:** | **Property Valuation** | **Rate** | **Total Levy** | **Property Excluding Registered Motor Vehicles** | **Registered Motor Vehicles** |
| Property at Current Year's Rate | $ 217,982,952 | 0.4810 | $ 1,048,498 | 925,772 | $ 122,726 |
| Total | 217,982,952 | | 1,048,498 | 925,772 | 122,726 |
| Discoveries: | | | | | |
| Current Year Taxes | 4,577,131 | 0.4810 | 22,016 | 22,016 | - |
| Releases: | | | | | |
| Current Year Taxes | (652,752) | 0.4810 | (3,140) | (3,140) | - |
| Total Property Valuation | $ 221,907,331 | | | | |
| Net Levy | | | 1,067,374 | 944,648 | 122,726 |
| Uncollected Taxes at June 30, 2022 | | | 25,670 | 25,670 | - |
| Current Year's Taxes Collected | | | $ 1,041,704 | 918,978 | $ 122,726 |
| Current Levy Collection Percentage | | | 97.60% | 97.28% | 100.00% |

# COMPLIANCE SECTION

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# REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Tryon, 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 discretely presented component units, and each major fund of the Town of Tryon, North Carolina (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 13, 2023. The financial statements of the ABC Board, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

### Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2022-002 and 2022-003.

**Town's Responses to the Findings**

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

**Purpose of This Report**

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



Greene Finney Cauley, LLP
Mauldin, South Carolina
March 13, 2023

**TOWN OF TRYON, NORTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2022**

**Financial Statement Findings**

**2022-001: YEAR END CLOSING PROCESS**

**Condition:** There were a few instances where cash, prepaids, capital assets, receivables, and liability accounts needed significant audit adjustments.

**Criteria:** The Town should ensure that its balances have been properly recorded in accordance with generally accepted accounting principles.

**Context, Cause and Effect:** The Town switched accountants at the end of fiscal year 2022. The Town and its new accountant have made great improvements in properly recording its balances as of and for the year ended June 30, 2022 as there were only a few instances noted that needed to be corrected.

**Recommendation:** We recommend that the Town develop and implement appropriate internal controls to ensure that all year end closing items are correctly reviewed and completed prior to the year-end audit.

**Response:** The Town agrees with this finding and will adhere to the corrective action plan on pages 83 in this audit report.

**2022-002: TOWN PURCHASING AND STATE PREAUDIT REQUIREMENTS**

**Condition:** During the 2022 audit, we noted a few transactions where the Town's purchasing and the preaudit requirements from the State were not followed. The Town also does not have a written policy for outlining procedures for preauditing obligations that will be incurred by electronic payments.

**Criteria:** The Town should be adhering to its own and the State's preaudit requirements.

**Context, Cause and Effect:** It is difficult for the Town to follow all the State's preaudit requirements due to the size of the Town and the available staff to help meet these requirements.

**Recommendation:** We know that the State preaudit requirements are extremely difficult to follow for small entities. We would encourage the Town to work with its new accountant and the NC Local Government Commission to design a way to properly reduce state compliance risk and one that would be reasonable for the Town's size and complexity.

**Response:** The Town agrees with this finding and will adhere to the corrective action plan on pages 83 in this audit report.

**Financial Statement Findings (Continued)**

**2022-003: BUDGETING AND EXPENDITURES IN EXCESS OF APPROPRIATIONS**

| | |
|---|---|
| **Condition:** | The Town budgeted a surplus for a number of the Town's funds (i.e. General Fund, Harmon Field Fund, etc.) which is not in compliance with NC General Statutes Section 159. Also, the General Fund expenditures exceeded amounts appropriated in the budget by approximately $7,000 and $4,000 in Culture and Recreation and Debt Service, respectively. Additional expenditures were recorded, but corresponding budget amendments were not approved/made. |
| **Criteria:** | The Town's funds should make sure to budget funds in accordance with state law and the Town should not expend more than what is budgeted (original or as amended) for each fund. |
| **Context, Cause and Effect:** | The Town did not realize they could not budget a surplus and they did not realize that some subfunds of the General Fund had not been budgeted. |
| **Recommendation:** | We would encourage the Board and management to review actual to budget reports regularly to ensure compliance in future years. |
| **Response:** | The Town agrees with this finding and will adhere to the corrective action plan on pages 83 in this audit report. |

TOWN OF TRYON
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**TOWN OF TRYON, NORTH CAROLINA**

**CORRECTIVE ACTION PLAN**

**YEAR ENDED JUNE 30, 2022**

---

**Financial Statement Findings**

**Finding:** 2022-001

**Contact Person:** Jim Fatland, Town Manager, manager@tryonnc.gov

**Corrective Action:** Going forward, the Town will provide additional training on year-end procedures and stress the importance of following the internal controls and procedures that are in place. The Town has also recently switched to a new accounting system and accountant and believe that the process will improve as everyone gains experience and familiarity with the Town and its new system.

**Proposed Completion Date:** December 31, 2023

---

**Finding:** 2022-002

**Contact Person:** Jim Fatland, Town Manager, manager@tryonnc.gov

**Corrective Action:** In the future, the Town will work with its new accountant and the NC Local Government Commission to design a way to properly reduce state compliance risk and will develop a written policy for outlining procedures for preaudit requirements (which will also address preauditing obligations that will be incurred by electronic payments).

**Proposed Completion Date:** December 31, 2023

---

**Finding:** 2022-003

**Contact Person:** Jim Fatland, Town Manager, manager@tryonnc.gov

**Corrective Action:** In the future, the Town will make sure its budgeting process in in compliance with NC General Statutes Section 159 and that the Town will amend its budget for any expenditures in excess of the appropriated budget amount.

**Proposed Completion Date:** December 31, 2023