

TOWN OF RURAL HALL, NORTH CAROLINA

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2023

TOWN OF RURAL HALL, NORTH CAROLINA

TOWN OFFICIALS

JUNE 30, 2023

MAYOR

TERRY M. BENNETT

MAYOR PRO TEM

EDDIE HORN

TOWN COUNCIL

MARK LANE

ANITA K. RING

MICHAEL WOODCOCK

TOWN OF RURAL HALL, NORTH CAROLINA
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ANDERSON SMITH & WIKE PLLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rural Hall, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise of the Town of Rural Hall's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rural Hall as of June 30, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, and the American Rescue Plan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller 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 of Rural Hall and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Governmental Auditing Standards* we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10 and the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Pension Contributions, Schedule of Changes in OPEB Liability, and Schedule of Total OPEB Liability as a Percentage of Covered Employee Payroll on pages 34 through 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Rural Hall's basic financial statements. The individual fund financial statements, budgetary schedules, ad valorem tax schedules, and the schedule of expenditures of federal and state awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual fund financial statements, budgetary schedules, ad valorem tax schedules, and the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2024 on our consideration of Town of Rural Hall'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 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 Town of Rural Hall'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 Town of Rural Hall's internal control over financial reporting and compliance.

Anderson Smith & Wike PLLC

Elon, North Carolina
February 9, 2024
(336) 380-4123

TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

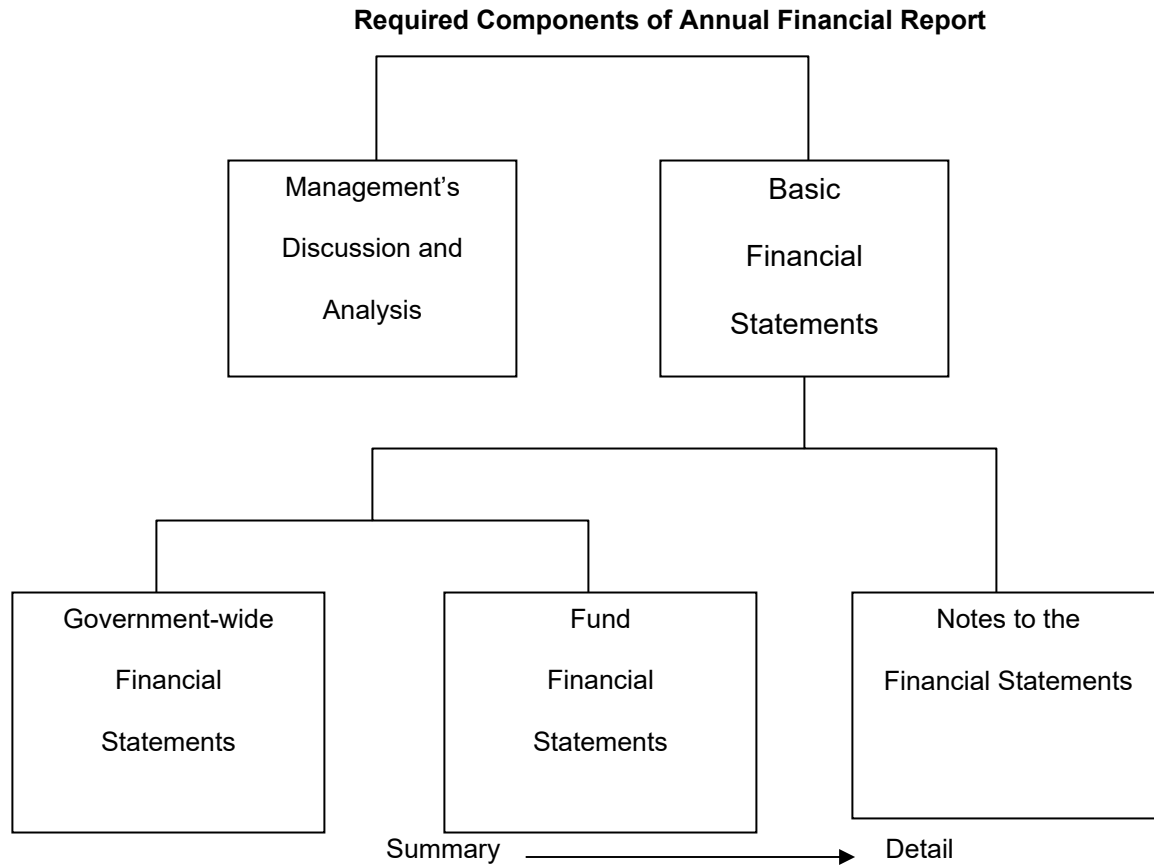
As management of the Town of Rural Hall, we offer readers of the Town of Rural Hall's financial statements this narrative overview and analysis of the financial activities of the Town of Rural Hall for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in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

Financial Highlights

- The assets and deferred outflows of resources of the Town of Rural Hall exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,066,124 (*net position*).
- The government's total net position increased by \$1,481,418 primarily due to American Recovery Plan revenue.
- As of the close of the current fiscal year, the Town of Rural Hall's general fund reported an ending fund balance of \$5,414,619, an increase of \$1,425,466 in fund balance. Approximately 86.5 percent of this total amount, or \$4,683,390 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,683,390, or 195.0 percent of the total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

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



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

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

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

Fund Financial Statements

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

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

The Town of Rural Hall maintains four individual governmental funds, the General Fund, the Cemetery Fund, the American Rescue Plan Fund, and the Fire Station Capital Project Fund.

The Town of Rural Hall adopts an annual budget for its governmental funds, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the 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 comparison statement provided demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 18-33 of this report.

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

The Town of Rural Hall's Net Position

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 5,756,636	\$ 4,809,931
Capital assets	4,400,031	4,434,323
Deferred outflow s of resources	<u>871,896</u>	<u>770,864</u>
Total assets and deferred outflow s of resources	<u>11,028,563</u>	<u>10,015,118</u>
Long-term liabilities		
outstanding	2,028,764	1,741,305
Other liabilities	262,373	747,091
Deferred inflow s of resources	<u>671,302</u>	<u>942,016</u>
Total liabilities and deferred inflow s of resources	<u>2,962,439</u>	<u>3,430,412</u>
Net position		
Net investment in capital assets	4,090,666	4,033,964
Restricted	536,840	473,143
Unrestricted	<u>3,438,618</u>	<u>2,077,599</u>
Total net position	<u>\$ 8,066,124</u>	<u>\$ 6,584,706</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Rural Hall exceeded liabilities and deferred inflows by \$8,066,124 as of June 30, 2023. The Town's net position increased by \$1,481,418 for the fiscal year ended June 30, 2023. The smaller portions 42.9% and 6.7% reflect the Town's unrestricted net position and restricted net position, respectively. The largest portion of the Town of Rural Hall net position 50.4% reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) that was issued to acquire those items. The Town of Rural Hall uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rural Hall's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The general fund is the chief operating fund of the Town of Rural Hall. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,683,390, while total fund balance equaled \$5,414,619. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 195.0 percent of total General Fund expenditures, while total fund balance represents 225.4 percent of that same amount.

TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023

The Town of Rural Hall's Changes in Net Position

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 316,740	\$ 284,095
Operating grants and contributions	1,923,003	843,126
Capital grants and contributions	51,074	-
General revenues:		
Property taxes	1,578,771	1,533,297
Grants, contributions and other taxes not restricted to specific programs	906,865	813,454
Other revenues	148,800	34,876
Total revenues	<u>4,925,253</u>	<u>3,508,848</u>
Expenses:		
General government	832,425	731,034
Public safety	1,317,170	1,286,072
Transportation	988,919	795,120
Cultural and recreation	61,047	46,966
License plate agency	243,720	219,088
Cemetery maintenance	554	8,049
Total expenses	<u>3,443,835</u>	<u>3,086,329</u>
Increase (decrease) in net position	1,481,418	422,519
Net position July 1	<u>6,584,706</u>	<u>6,162,187</u>
Net position June 30	<u>\$ 8,066,124</u>	<u>\$ 6,584,706</u>

Governmental activities increased the Town's net position by \$1,481,418. The key elements of this increase include revenues increasing by approximately \$1.4 Million primarily due to American Rescue Plan revenue, additional grant funds, and increased service revenue.

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

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

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

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

Capital Asset and Debt Administration

Capital assets. The Town of Rural Hall's investment in capital assets for its governmental activities as of June 30, 2023, totals \$4,400,031 (net of accumulated depreciation). These assets include land, buildings, improvements, equipment, paving, vehicles, infrastructure and heavy vehicles and equipment. During the year, there were \$298,829 in capital additions in the Governmental activities.

	Governmental Activities	
	6/30/23	6/30/22
Land	\$ 1,017,924	\$ 1,017,924
Buildings & improvements	1,031,704	1,115,423
Equipment	120,795	53,601
Infrastructure	1,081,334	1,150,945
Vehicles and heavy equipment	1,097,200	1,096,430
Construction in progress	51,074	-
Total	<u>\$ 4,400,031</u>	<u>\$ 4,434,323</u>

Additional information on the Town's capital assets can be found in NOTE 2 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, the Town of Rural Hall had total debt outstanding in the amount of \$2,096,408. Of this \$309,365 is secured by vehicles owned by the Town.

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Maturities
Governmental activities:					
Installment purchase	\$ 400,359	\$ -	\$ 90,994	\$ 309,365	\$ 47,652
Pension liability	230,193	497,551	-	727,744	-
OPEB liability	1,130,519	-	134,087	996,432	-
Compensated absences	50,806	41,374	29,313	62,867	19,992
Total	<u>\$ 1,811,877</u>	<u>\$ 538,925</u>	<u>\$ 254,394</u>	<u>\$ 2,096,408</u>	<u>\$ 67,644</u>

Town of Rural Hall's Outstanding Debt. The Town of Rural Hall's total debt increased by \$284,531 (14.0%) during the current fiscal year. The key factors in this decrease were a decrease of \$90,994 related to fire truck debt payments, an increase of \$497,551 in the net pension liability for the Local Government Employees Retirement System (LGERS), and a decrease of \$134,087 in Other Post Employment Benefits Liability (OPEB).

**TOWN OF RURAL HALL, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2023**

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Rural Hall is approximately \$40.5 Million. The Town has no authorized but un-issued bonds at June 30, 2023.

Economic Factors and Next Year's Budgets and Rates

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

- The Town is in the process of developing a recreation master plan, and will submit an application for the 2024 Parks and Recreation Trust Fund grant cycle. Additionally, The Town has been allocated \$3.8 million from the North Carolina General Assembly for the design and construction of a new Fire Station.
- Forsyth County consumer spending continues to result in additional sales tax revenue for the Town.

Budget Highlights for the Fiscal Year Ending June 30, 2024

Governmental Activities: The governmental funds' primary revenue resources are property taxes and intergovernmental revenues. For the fiscal year ending June 30, 2024, the General Fund budget includes an additional deputy and an additional firefighter to maintain and enhance public safety. Funds are budgeted for improvements to the Town's License Plate Agency, recreation master plan development, capital purchases, and the Town's 50th Anniversary celebration.

Requests for Information

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

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2023

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,152,580
Taxes receivables (net)	14,039
Accounts receivable (net)	21,268
Due from other governments	318,973
Restricted cash and cash equivalents	<u>249,776</u>
Total current assets	<u>5,756,636</u>
Capital assets	
Land and construction in progress	1,068,998
Other capital assets, net of depreciation	<u>3,331,033</u>
Total capital assets	<u>4,400,031</u>
Total non-current assets	<u>4,400,031</u>
Total assets	<u>10,156,667</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals	549,093
OPEB deferrals	<u>322,803</u>
Total deferred outflows of resources	<u>871,896</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	165,298
Accrued salaries and benefits	26,628
Customer deposits	2,803
Compensated absences	19,992
Installment loan	<u>47,652</u>
Total current liabilities	<u>262,373</u>
Long-term liabilities	
Compensated absences	42,875
Installment loan	261,713
Net pension liability	727,744
Total OPEB liability	<u>996,432</u>
Total noncurrent liabilities	<u>2,028,764</u>
Total liabilities	<u>2,291,137</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals	36,683
OPEB deferrals	<u>634,619</u>
Total deferred inflows of resources	<u>671,302</u>
NET POSITION	
Net investment in capital assets	4,090,666
Restricted for:	
Stabilization by State Statute	289,167
Streets-Powell Bill	247,673
Unrestricted	<u>3,438,618</u>
Total net position	<u>\$ 8,066,124</u>

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

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TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Primary Governmental Activities
Primary government					
Governmental activities					
General government	\$ 831,679	\$ 4,010	\$ 315,346	\$ -	\$ (512,323)
Public safety	1,307,614	-	1,205,294	51,074	(51,246)
Transportation	987,891	-	274,553	-	(713,338)
Cultural and recreation	61,363	13,244	-	-	(48,119)
License plate agency	243,790	297,486	127,810	-	181,506
Cemetery maintenance	554	2,000	-	-	1,446
Interest	10,944	-	-	-	(10,944)
Total governmental activities	<u>3,443,835</u>	<u>316,740</u>	<u>1,923,003</u>	<u>51,074</u>	<u>(1,153,018)</u>
 Total primary government	 <u>\$ 3,443,835</u>	 <u>\$ 316,740</u>	 <u>\$ 1,923,003</u>	 <u>\$ 51,074</u>	 <u>(1,153,018)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes					1,578,771
Unrestricted intergovernmental revenues and other taxes					906,865
Unrestricted investment earnings					57,376
Miscellaneous					91,424
Total general revenues					<u>2,634,436</u>
Change in net position					1,481,418
Net position, beginning					<u>6,584,706</u>
Net position, ending					<u>\$ 8,066,124</u>

	Major Funds				Total Primary Governmental
	General	Major Special Revenue Fund American Rescue Plan Fund	Major Capital Project Fund Fire Station Capital Project Fund	Non-major Fund	
ASSETS					
Cash and cash equivalents	\$ 5,020,764	\$ -	\$ -	\$ 131,816	\$ 5,152,580
Restricted cash and cash equivalents	247,673	-	-	2,103	249,776
Receivables, net					
Taxes	14,039	-	-	-	14,039
Accounts	21,268	-	-	-	21,268
Due from other governments	267,869	-	51,074	30	318,973
Due from other funds	-	-	-	2,146	2,146
Total assets	\$ 5,571,613	\$ -	\$ 51,074	\$ 136,095	\$ 5,758,782
LIABILITIES					
Liabilities					
Accounts payable and accrued liabilities	\$ 114,181	\$ -	\$ 51,074	\$ 43	\$ 165,298
Accrued salaries and benefits	26,628	-	-	-	26,628
Due to other funds	2,146	-	-	-	2,146
Customer deposits	-	-	-	2,803	2,803
Total liabilities	142,955	-	51,074	2,846	196,875
DEFERRED INFLOWS OF RESOURCES					
Property tax receivable	14,039	-	-	-	14,039
FUND BALANCES					
Non-spendable					
Perpetual maintenance	-	-	-	133,219	133,219
Restricted					
Stabilization by State Statute	289,137	-	-	30	289,167
Streets - Powell Bill	247,673	-	-	-	247,673
Assigned					
Subsequent year's expenditures	194,419	-	-	-	194,419
Unassigned	4,683,390	-	-	-	4,683,390
Total fund balances	5,414,619	-	-	133,249	5,547,868
Total liabilities, deferred inflows of resources and fund balances	\$ 5,571,613	\$ -	\$ 51,074	\$ 136,095	
Amounts reported for governmental activities in the statement of net position are different because					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					4,400,031
Deferred outflows of resources related to pensions					549,093
Deferred outflows of resources related to OPEB					322,803
Compensated absences not expected to be materially liquidated with expendable available resources					(62,867)
Deferred inflows of resources related to pensions					(36,683)
Deferred inflows of resources related to OPEB					(634,619)
Installment loans					(309,365)
Total pension liability					(727,744)
Total OPEB liability					(996,432)
Earned revenues considered deferred inflows in fund statements					14,039
Net position of governmental activities					\$ 8,066,124

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit 4

	Major Funds			Non-major Fund	Total
	General	Major Special Revenue Fund American Rescue Plan Fund	Major Capital Project Fund Fire Station Capital Project Fund		
REVENUES					
Ad valorem taxes	\$ 1,577,299	\$ -	\$ -	\$ -	\$ 1,577,299
Unrestricted intergovernmental	906,865	-	-	-	906,865
Restricted intergovernmental	882,775	1,040,228	51,074	-	1,974,077
Sales and services	314,740	-	-	2,000	316,740
Investment earnings	54,407	2,858	-	111	57,376
Other revenues	30,893	-	-	-	30,893
Total revenues	3,766,979	1,043,086	51,074	2,111	4,863,250
EXPENDITURES					
Current					
General government	519,955	263,369	-	-	783,324
Public safety	901,313	475,351	51,074	-	1,427,738
Transportation	723,210	176,556	-	-	899,766
Culture and recreation	47,097	-	-	-	47,097
License plate agency	108,531	127,810	-	-	236,341
Cemetery maintenance	-	-	-	554	554
Debt Service					
Principal	90,994	-	-	-	90,994
Interest and other charges	10,944	-	-	-	10,944
Total expenditures	2,402,044	1,043,086	51,074	554	3,496,758
Revenues over expenditures	1,364,935	-	-	1,557	1,364,935
Other financing sources					
Proceeds from disposal of capital assets	60,531	-	-	-	60,531
Net change in fund balances	1,425,466	-	-	1,557	1,427,023
Fund balances, beginning	3,989,153	-	-	131,692	4,120,845
Fund balances, ending	\$ 5,414,619	\$ -	\$ -	\$ 133,249	\$ 5,547,868

TOWN OF RURAL HALL, NORTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Exhibit 4 (continued)

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

Net changes in fund balances - total governmental funds	\$ 1,427,023
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, the gain/loss on disposal of those assets would also differ between the two statements in an amount equal to the basis of the asset reported on the date of disposal</p>	
Capital outlay	298,829
Depreciation	(333,121)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>	
Change in deferred revenue for tax revenues	1,472
<p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities</p>	
	183,637
<p>Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities</p>	
	22,971
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental fund report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items</p>	
	90,994
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds</p>	
Compensated absences	(12,061)
Pension expense	(206,633)
OPEB Expense	<u>8,307</u>
Total change in net position of governmental activities	<u>\$ 1,481,418</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

Exhibit 5

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,529,879	\$ 1,529,879	\$ 1,577,299	\$ 47,420
Unrestricted intergovernmental	830,250	830,250	906,865	76,615
Restricted intergovernmental	789,391	789,391	882,775	93,384
Sales and services	237,000	237,000	314,740	77,740
Investment earnings	500	500	54,407	53,907
Other revenues	23,880	23,880	30,893	7,013
Total revenues	3,410,900	3,410,900	3,766,979	356,079
EXPENDITURES				
Current				
General government	795,050	882,050	519,955	362,095
Public safety	1,563,308	1,563,308	901,313	661,995
Transportation	1,084,190	982,252	723,210	259,042
Culture and recreation	55,050	55,050	47,097	7,953
License plate agency	230,650	230,650	108,531	122,119
Debt service				
Principal	-	90,994	90,994	-
Interest and other charges	-	10,944	10,944	-
Total expenditures	3,728,248	3,815,248	2,402,044	1,413,204
Revenues over (under) expenditures	(317,348)	(404,348)	1,364,935	1,769,283
Other financing sources (uses):				
Proceeds from disposal of capital assets	-	-	60,531	60,531
Revenues over (under) expenditures and other uses	(317,348)	(404,348)	1,425,466	1,829,814
Appropriated fund balance	317,348	404,348	-	404,348
Revenue and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	1,425,466	\$ 1,425,466
Fund balance, beginning			3,989,153	
Fund balance, ending			\$ 5,414,619	

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - AMERICAN RESCUE PLAN FUND
For the Year Ended June 30, 2023

Exhibit 5 (Continued)

	Original	Final	Actual Amount	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted intergovernmental	-	-	-	-
Restricted intergovernmental	-	1,040,228	1,040,228	-
Sales and services	-	-	-	-
Investment earnings	-	-	2,858	2,858
Other revenues	-	-	-	-
Total revenues	-	1,040,228	1,043,086	2,858
EXPENDITURES				
Current				
General government	-	260,511	263,369	(2,858)
Public safety	-	475,351	475,351	-
Transportation	-	176,556	176,556	-
Culture and recreation	-	-	-	-
License plate agency	-	127,810	127,810	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	-	1,040,228	1,043,086	(2,858)
Revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Proceeds from disposal of capital assets	-	-	-	-
Revenues over (under) expenditures and other uses	-	-	-	-
Appropriated fund balance	-	-	-	-
Revenue and appropriated fund balance over (under) expenditures and other uses	\$ -	\$ -	-	\$ -
Fund balance, beginning			-	
Fund balance, ending			\$ -	

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Rural Hall, North Carolina, is a municipal corporation which is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, the Town would include any component unit for which it is financially accountable. For the year ended June 30, 2023, no component units were included in the financial statements.

B. Basis of Presentation

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

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

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

The Town reports the following major governmental funds:

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

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

Fire Station Capital Project Fund. The Fire Station Capital Project Fund is a capital project fund used to account for the financial resources to be used for the building of a fire station.

The Town reports the following non-major governmental fund:

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

D. Budgetary Data

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

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

Deposits and Investments

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

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

Cash and Cash Equivalents

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

Restricted Assets

Powell Bill funds are classified as restricted because it can be expended only for purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4. The Town had cash and cash equivalents restricted for Powell Bill of \$247,673. Customer deposits held by the Town before any services are provided are restricted to the service to which the deposit was collected. The Town had cash and cash equivalents of \$2,803 restricted for customer deposits.

Ad Valorem Taxes Receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2022. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General fund, ad valorem tax revenues are reported net of such discounts.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Allowance for Uncollectible Accounts

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

Capital Assets

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

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

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

Deferred outflows/inflows of resources

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

Long-Term Obligations

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

Compensated Absences

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

The Town's sick leave policy provides for unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Net position/Fund Balances

Net position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as non-spendable.

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

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

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

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

F. Pensions

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

G. Other

Use of Estimates

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

NOTE 2 - DETAIL NOTES ON ALL FUNDS

A. Assets

Deposits

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

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

At June 30, 2023, the Town's deposits had a carrying amount of \$4,018,700 and a bank balance of \$4,071,473. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. The Town had petty cash of \$700.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Investments

At June 30, 2023, the Town had \$1,382,956 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's and AAAm-mf by Moody's Investors Service as June 30, 2023. The Town has no policy regarding credit risk, interest rate risk or custodial credit risk.

Accounts Receivable

	Due from (to) other funds (Internal Balances)	Due from other governments	Other
	<u> </u>	<u> </u>	<u> </u>
Governmental activities:			
General Fund	\$ (2,146)	\$ 267,869	\$ 35,307
Other governmental activities	2,146	51,104	-
Total	<u>\$ -</u>	<u>\$ 318,973</u>	<u>\$ 35,307</u>

Due from other governments consists of the following:

Governmental activities:			
General Fund	\$ 157,082	Local Option Sales Tax	
General Fund	27,705	Sales Tax Refund	
General Fund	34,882	Forsyth County - Taxes paid	
General Fund	23,328	Stokes County - Fire Tax	
General Fund	24,872	Forsyth County - Fire Tax	
Fire Station Capital Project Fund	51,074	Forsyth County - Grant	
Cemetery Fund	30	Sales Tax Refund	
Total	<u>\$ 318,973</u>		

Receivables - Allowance for Uncollectible Accounts

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

General Fund - Taxes Receivable	<u>\$ 4,680</u>
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TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Capital Assets

Primary Government

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

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 1,017,924	\$ -	\$ -	\$ 1,017,924
Construction in progress	-	51,074	-	51,074
Total capital assets not being depreciated	<u>1,017,924</u>	<u>51,074</u>	<u>-</u>	<u>1,068,998</u>
Capital assets being depreciated:				
Buildings & improvements	3,423,473	-	-	3,423,473
Software & equipment	532,214	79,660	21,847	590,027
Infrastructure	1,944,128	-	-	1,944,128
Vehicles and heavy equipment	3,497,917	168,095	195,629	3,470,383
Total capital assets being depreciated	<u>9,397,732</u>	<u>247,755</u>	<u>217,476</u>	<u>9,428,011</u>
Less accumulated depreciation for:				
Buildings	2,308,050	83,719	-	2,391,769
Software & equipment	478,613	12,466	21,847	469,232
Infrastructure	793,183	69,611	-	862,794
Vehicles and heavy equipment	2,401,487	167,325	195,629	2,373,183
Total accumulated depreciation	<u>5,981,333</u>	<u>333,121</u>	<u>217,476</u>	<u>6,096,978</u>
Total capital assets being depreciated, net	<u>3,416,399</u>			<u>3,331,033</u>
Governmental activity capital assets, net	<u>\$ 4,434,323</u>			<u>\$ 4,400,031</u>

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

General government	\$ 46,277
Public safety	140,588
Transportation	107,074
Culture and recreation	32,073
License Plate Agency	7,109
Total	<u>\$ 333,121</u>

Construction Commitments

Town of Rural Hall has an active construction project as of June 30, 2023 for the benefit of the Town of Rural Hall. At year end, commitments with contractors for the fire station construction total \$4,500,000 of which \$51,074 has been spent and \$4,448,926 remains.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rural Hall employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Rural Hall's contractually required contribution rate for the year ended June 30, 2023, was 12.14%, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Rural Hall was \$183,637 for the year ended June 30, 2023.

Refunds of Contributions – Town employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2023, the Town reported a liability of \$727,744 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2022 (measurement date), the Town's proportion was 0.01290%, which was a decrease of 0.00211% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Town recognized pension expense of (\$206,633). At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,358	\$ 3,074
Changes of assumptions	72,613	-
Net difference between projected and actual earnings on pension plan investments	240,527	-
Changes in proportion and differences between Board contributions and proportionate share of contributions	20,958	33,609
Board contributions subsequent to the measurement date	<u>183,637</u>	<u>-</u>
Total	<u>\$ 549,093</u>	<u>\$ 36,683</u>

\$183,637 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Year ended June 30:

2024	\$	105,991
2025		91,861
2026		16,330
2027		114,592
2028		-
Thereafter		-
Total	\$	<u>328,773</u>

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

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

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

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	0.9%
Global Equity	38.0%	6.5%
Real Estate	8.0%	5.9%
Alternatives	8.0%	8.2%
Credit	7.0%	5.0%
Inflation Protection	6.0%	2.7%
Total	<u>100%</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

The information above is based on 30-year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. 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 of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.50%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.50%)</u>	<u>1% Increase</u> <u>(7.50%)</u>
Board's proportionate share of the net pension liability (asset)	\$ 1,313,485	\$ 727,744	\$ 245,060

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

b. Other Post-employment Benefits

1. Health Benefit Plan

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

At June 30, 2021, membership in the plan consisted of:

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

Total OPEB Liability

The Town's Total OPEB liability of \$996,432 was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Discount rate	3.54 percent
Salary increases	3.25 to 8.41 percent, including inflation and productivity factor
Inflation	2.50 percent
Healthcare cost trend rates	7.0 percent for 2021 decreasing to an ultimate rate of 4.5 percent by 2031

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

Beginning balance	\$ 1,130,519
Service cost	34,385
Interest on the total OPEB liability	24,915
Differences between expected and actual experience in the measurement of the total OPEB liability	(6,947)
Changes of assumptions or other inputs	(163,469)
Benefit payments	(22,971)
Ending balance of the total OPEB liability	<u>\$ 996,432</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.16% to 3.54%

Mortality rates were based on the Pub-2010 mortality tables, with adjustments for experience and generational mortality improvements using Scale MP-2019.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study from January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.54 percent) or 1-percentage-point higher (4.54 percent) than the current discount rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$ 11,111,994	\$ 996,432	\$ 894,829

Sensitivity to the Town's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the Town's proportionate share of the net OPEB liability, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare trend rates:

	Healthcare Trend Rates		
	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Total OPEB liability	\$ 873,777	\$ 966,432	\$ 1,141,973

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$54,185. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 81,798	\$ 466,705
Changes of assumptions	241,005	167,914
Total	<u>\$ 322,803</u>	<u>\$ 634,619</u>

There were no deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date that will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ (67,607)
2025	(66,726)
2026	(58,960)
2027	(67,416)
2028	(41,713)
Thereafter	(9,394)
Total	<u>\$ (311,816)</u>

2. Other Employment Benefit

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

3. Risk Management

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

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

4. Long-Term Obligations

Installment Purchases

In January 2022, the Town entered into an installment purchase agreement to finance the purchase of a 2022 pumper fire truck. The financing contract requires annual payments of \$57,397, including interest of 3.15%. The principal balance at June 30, 2023 was \$309,365.

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

Year ending June 30	Principal	Interest
2024	\$ 47,652	\$ 9,745
2025	49,130	8,267
2026	50,701	6,696
2027	52,298	5,099
2028	53,945	3,452
2029	55,639	1,757
	<u>\$ 309,365</u>	<u>\$ 35,016</u>

Changes in long-term liabilities

The following is a summary of changes in the Town's long-term obligations for the year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Maturities
Governmental activities:					
Installment purchase	\$ 400,359	\$ -	\$ 90,994	\$ 309,365	\$ 47,652
Pension liability	230,193	497,551	-	727,744	-
OPEB liability	1,130,519	-	134,087	996,432	-
Compensated absences	50,806	41,374	29,313	62,867	19,992
Total	<u>\$ 1,811,877</u>	<u>\$ 538,925</u>	<u>\$ 254,394</u>	<u>\$ 2,096,408</u>	<u>\$ 67,644</u>

At June 30, 2023, the Town of Rural Hall had a legal debt margin of approximately \$40.5 Million.

TOWN OF RURAL HALL, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

5. Deferred Outflows and Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Pension deferrals	\$ 549,093	\$ 36,683
OPEB deferrals	322,803	634,619
Total	<u>\$ 871,896</u>	<u>\$ 671,302</u>
 Balance Sheet – Governmental Funds		
Property tax receivable (General Fund)	<u>\$ -</u>	<u>\$ 14,039</u>

NOTE 3 - INTERFUND ACTIVITIES

As of June 30, 2023, there was \$2,146 due to the Cemetery Fund from the General Fund for cash received that should be for the Cemetery Fund. This balance is expected to be repaid by June 30, 2024.

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – FUND BALANCE

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

Total fund balance - General Fund	\$ 5,414,619
Less:	
Stabilization by State Statute - restricted	289,137
Streets - Powell Bill - restricted	247,673
Subsequent year's expenditures	194,419
Remaining unassigned fund balance	<u>\$ 4,683,390</u>

NOTE 6 – SUBSEQUENT EVENTS

General Statute 159-29 requires that effective January 1, 2023 or upon renewal, whichever is later, the Finance Officer must secure a fidelity bond for the greater of \$50,000 or 10% of the unit's annually budgeted funds up to \$1,000,000. The Town's bond renewed effective July 1, 2023, requiring compliance with the increased bond amount. A bond of approximately \$877,000 was required, however the bond was only secured for \$300,000.

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Rural Hall's proportion of the net pension liability (asset) (%)	0.01290%	0.01501%	0.01349%	0.01381%	0.01393%
Rural Hall's proportion of the net pension liability (asset) (\$)	\$ 727,744	\$ 230,193	\$ 482,058	\$ 377,140	\$ 330,467
Rural Hall's covered payroll	\$ 1,039,457	\$ 1,169,579	\$ 953,983	\$ 952,240	\$ 909,300
Rural Hall's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.01%	19.68%	50.53%	39.61%	36.34%
Plan fiduciary net position as a percentage of the total pension liability**	84.14%	95.51%	88.61%	91.63%	91.68%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rural Hall's proportion of the net pension liability (asset) (%)	0.01269%	0.01127%	0.01347%	0.01382%	0.01350%
Rural Hall's proportion of the net pension liability (asset) (\$)	\$ 193,868	\$ 239,188	\$ 60,453	\$ (81,503)	\$ 162,727
Rural Hall's covered payroll	\$ 843,653	\$ 804,622	\$ 791,726	\$ 776,475	\$ 728,594
Rural Hall's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22.98%	29.73%	7.64%	(10.50%)	22.33%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	122.84%	94.35%

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

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

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

Local Government Employees' Retirement System

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 183,637	\$ 117,978	\$ 119,297	\$ 85,802	\$ 74,465
Contributions in relation to the contractually required contribution	<u>183,637</u>	<u>117,978</u>	<u>119,297</u>	<u>85,802</u>	<u>74,465</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rural Hall's covered payroll	\$ 1,512,661	\$ 1,039,457	\$ 1,169,579	\$ 953,983	\$ 952,240
Contributions as a percentage of covered payroll	12.14%	11.35%	10.20%	8.99%	7.82%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 69,016	\$ 61,840	\$ 53,668	\$ 55,975	\$ 54,897
Contributions in relation to the contractually required contribution	<u>69,016</u>	<u>61,840</u>	<u>53,668</u>	<u>55,975</u>	<u>54,897</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rural Hall's covered payroll	\$ 909,300	\$ 843,663	\$ 804,622	\$ 791,725	\$ 776,475
Contributions as a percentage of covered payroll	7.59%	7.33%	6.67%	7.07%	7.07%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 1,130,519	\$ 1,562,736	\$ 1,321,001	\$ 1,061,460	\$ 1,037,730	\$ 1,042,802
Service cost	34,385	59,336	42,693	30,237	40,723	44,292
Interest on the total OPEB liability	24,915	35,619	47,037	40,888	36,719	31,137
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience						
in the measurement of the total OPEB liability	(6,947)	(662,937)	(9,639)	173,483	(2,206)	2,995
Changes of assumptions or other inputs	(163,469)	156,582	200,729	26,959	(38,788)	(66,698)
Benefits payments	(22,971)	(20,817)	(39,085)	(12,026)	(12,718)	(16,798)
Other changes	-	-	-	-	-	-
Ending balance of the total OPEB liability	<u>\$ 996,432</u>	<u>\$ 1,130,519</u>	<u>\$ 1,562,736</u>	<u>\$ 1,321,001</u>	<u>\$ 1,061,460</u>	<u>\$ 1,037,730</u>

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability	\$ 996,432	\$ 1,130,519	\$ 1,562,736	\$ 1,321,001	\$ 1,061,460	\$ 1,037,730
Covered-employee Payroll	838,265	838,265	838,265	838,265	807,148	807,148
Total OPEB liability as a percentage of covered-employee payroll	118.87%	134.86%	186.43%	157.59%	131.51%	128.57%

Notes to the schedules:

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

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenues			
Ad valorem taxes			
Current year		\$ 1,569,123	
Prior years		<u>8,176</u>	
Total	<u>\$ 1,529,879</u>	<u>1,577,299</u>	<u>\$ 47,420</u>
Unrestricted intergovernmental revenues			
Local option sales tax		532,158	
Telecommunications tax		9,501	
Utility franchise tax		194,374	
Piped natural gas tax		19,770	
Video franchise fee		19,597	
Beer and wine tax		15,225	
City hold harmless		<u>116,240</u>	
Total	<u>830,250</u>	<u>906,865</u>	<u>76,615</u>
Restricted intergovernmental revenue			
Powell Bill allocation		97,997	
Forsyth County Fire Department		628,900	
Stokes County Fire Department		101,043	
Occupancy tax		52,121	
Solid waste disposal tax		<u>2,714</u>	
Total	<u>789,391</u>	<u>882,775</u>	<u>93,384</u>
Sales and service			
License plate agency fees		297,486	
Recreation department fees		13,244	
Lease revenue		<u>4,010</u>	
Total	<u>237,000</u>	<u>314,740</u>	<u>77,740</u>
Investment earnings	<u>500</u>	<u>54,407</u>	<u>53,907</u>
Other revenues			
Penalties and interest		3,018	
Miscellaneous		<u>27,875</u>	
Total	<u>23,880</u>	<u>30,893</u>	<u>7,013</u>
Total revenues	<u>3,410,900</u>	<u>3,766,979</u>	<u>356,079</u>

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General government			
Governing body			
Salaries and employee benefits		286,457	
Operating expenditures		<u>163,884</u>	
Total		<u>450,341</u>	
Administration			
Salaries and employee benefits		23,541	
Operating expenditures		40,337	
Capital outlay		<u>758</u>	
Total		<u>64,636</u>	
Public buildings			
Operating expenditures		<u>4,978</u>	
Total general government	<u>882,050</u>	<u>519,955</u>	<u>362,095</u>
Public safety			
Sheriff			
Operating expenditures	<u>243,080</u>	<u>202,970</u>	<u>40,110</u>
Fire			
Salaries and employees benefits		83,165	
Operating expenditures		<u>615,178</u>	
Total	<u>1,320,228</u>	<u>698,343</u>	<u>621,885</u>
Total public safety	<u>1,563,308</u>	<u>901,313</u>	<u>661,995</u>
Transportation			
Salaries and employee benefits		119,570	
Operating expenditures		291,228	
Maintenance		33,523	
Capital outlay		200,841	
Powell Bill		<u>78,048</u>	
Total transportation	<u>982,252</u>	<u>723,210</u>	<u>259,042</u>

TOWN OF RURAL HALL, NORTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2023

Exhibit A-1
Page 3 of 3

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and Recreation			
Contracted services	<u>55,050</u>	<u>47,097</u>	<u>7,953</u>
License Plate Agency			
Salaries and employee benefits		45,207	
Operating expenditures		<u>63,324</u>	
Total license plate agency	<u>230,650</u>	<u>108,531</u>	<u>122,119</u>
Debt Service			
Principal		90,994	
Interest		<u>10,944</u>	
Total debt service	<u>101,938</u>	<u>101,938</u>	<u>-</u>
Total expenditures	<u>3,815,248</u>	<u>2,402,044</u>	<u>1,413,204</u>
Revenues over (under) expenditures	(404,348)	1,364,935	1,769,283
Other Financing Sources (uses)			
Proceeds from disposal of capital assets	<u>-</u>	<u>60,531</u>	<u>60,531</u>
Revenues over (under) expenditures and other sources	(404,348)	1,425,466	1,829,814
Appropriated fund balance	<u>404,348</u>	<u>-</u>	<u>(404,348)</u>
Revenue and appropriated fund balance over (under) expenditures and other financing sources	<u>\$ -</u>	1,425,466	<u>\$ 1,425,466</u>
Fund balance, beginning		<u>3,989,153</u>	
Fund balance, ending		<u>\$ 5,414,619</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
FIRE STATION CAPITAL PROJECT FUND
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
From Inception and for the Year Ended June 30, 2023

Exhibit A-2

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues					
OSBM Grant - Forsyth	\$ 200,000	\$ -	\$ 51,074	\$ 51,074	\$ (148,926)
OSBM Grant - Direct	<u>3,800,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,800,000)</u>
Total revenues	<u>4,000,000</u>	<u>-</u>	<u>51,074</u>	<u>51,074</u>	<u>(3,948,926)</u>
Expenditures					
Design	150,000	-	51,074	51,074	98,926
Construction	4,300,000	-	-	-	4,300,000
Contingency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Total expenditures	<u>4,500,000</u>	<u>-</u>	<u>51,074</u>	<u>51,074</u>	<u>4,448,926</u>
Revenues over (under) expenditures	(500,000)	-	-	-	(500,000)
Other financing sources					
Transfer from general fund	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ -</u>		

TOWN OF RURAL HALL, NORTH CAROLINA
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit B-1

	<u>Cemetery Fund</u>
ASSETS	
Cash and cash equivalents	\$ 131,816
Restricted cash	2,103
Due from other governments	30
Due from other funds	<u>2,146</u>
Total	<u>136,095</u>
 Total assets	 <u>\$ 136,095</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 43
Customer deposits	<u>2,803</u>
 Total liabilities	 <u>2,846</u>
 Fund balance	
Non spendable	
Perpetual maintenance	133,219
Restricted	
Stabilization by state statute	<u>30</u>
 Total fund balance	 <u>133,249</u>
 Total liabilities and fund balance	 <u>\$ 136,095</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit B-2

	<u>Cemetery Fund</u>
Revenues	
Sale of plots	\$ 2,000
Investment earnings	<u>111</u>
Total revenues	<u>2,111</u>
Expenditures	
Cemetery maintenance	<u>554</u>
Net change in fund balance	1,557
Fund balance, beginning	<u>131,692</u>
Fund balance, ending	<u>\$ 133,249</u>

TOWN OF RURAL HALL, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

Exhibit B-3

	<u>Cemetery Fund</u>		Variance Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	
Revenues			
Sale of plots	\$ 5,000	\$ 2,000	\$ (3,000)
Investment earnings	<u>10</u>	<u>111</u>	<u>101</u>
Total revenues	<u>5,010</u>	<u>2,111</u>	<u>(2,899)</u>
Expenditures			
Cemetery maintenance	<u>5,010</u>	<u>554</u>	<u>4,456</u>
Revenues over expenditures	<u>-</u>	<u>1,557</u>	<u>1,557</u>
Revenues over (under) expenditures and other uses	<u>\$ -</u>	<u>1,557</u>	<u>\$ 1,557</u>
Fund balance, beginning		<u>131,692</u>	
Fund balance, ending		<u>\$ 133,249</u>	

TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE
June 30, 2023

Exhibit C-1

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2022</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2023</u>
2022-2023	\$ -	\$ 1,579,593	\$ 1,569,123	\$ 10,470
2021-2022	9,497	-	5,734	3,763
2020-2021	2,774	-	911	1,863
2019-2020	1,645	-	715	930
2018-2019	746	-	312	434
2017-2018	531	-	312	219
2016-2017	430	-	199	231
2015-2016	323	-	2	321
2014-2015	249	-	-	249
2013-2014	239	-	-	239
2012-2013	323	-	323	-
	<u>\$ 16,757</u>	<u>\$ 1,579,593</u>	<u>\$ 1,577,631</u>	18,719
Less: Allowance for uncollectible accounts: Ad valorem taxes receivable				<u>4,680</u>
Ad valorem taxes receivable - net				<u>\$ 14,039</u>
Reconcilement with revenues:				
Taxes - ad valorem - General Fund				\$ 1,577,299
Releases and other adjustments				9
Taxes written off				<u>323</u>
Total collections and credits				<u>\$ 1,577,631</u>

TOWN OF RURAL HALL, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY
For the Year Ended June 30, 2023

Exhibit C-2

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxes at current year's rate	\$ 508,142,258	\$0.31	\$ 1,575,241	\$ 1,452,480	\$ 122,761
Discoveries	5,248,065	\$0.31	16,269	16,269	-
Releases	(3,844,194)	\$0.31	(11,917)	(11,917)	-
Total	<u>\$ 509,546,129</u>		<u>\$ 1,579,593</u>	<u>\$ 1,456,832</u>	<u>\$ 122,761</u>
Total property valuation	<u>\$ 509,546,129</u>				
Net levy			\$ 1,579,593	\$ 1,456,832	\$ 122,761
Uncollected taxes at June 30, 2023			<u>10,470</u>	<u>10,470</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,569,123</u>	<u>\$ 1,446,362</u>	<u>\$ 122,761</u>
Current levy collection percentage			<u>99.34%</u>	<u>99.28%</u>	<u>100.00%</u>

COMPLIANCE SECTION



**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 AUDITORS' REPORT

**To the Town of Rural Hall, North Carolina
Rural Hall, North Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rural Hall, North Carolina, North Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Rural Hall, North Carolina's basic financial statements and have issued our report thereon dated February 9, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Rural Hall, North Carolina'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 Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 23-01 to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Rural Hall, North Carolina's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Rural Hall's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Rural Hall's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. The Town of Rural Hall's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

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.

Anderson Smith & Wike PLLC

*February 9, 2024
Elon, North Carolina*



INDEPENDENT AUDITORS' REPORT

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

**To the Town of Rural Hall, North Carolina
Rural Hall, North Carolina**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Rural Hall, North Carolina's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Town of Rural Hall, North Carolina's major federal programs for the year ended June 30, 2023. Town of Rural Hall, North Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Town of Rural Hall, North Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Rural Hall, North Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Town of Rural Hall, North Carolina federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Rural Hall, North Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements

referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Rural Hall, North Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Rural Hall, North Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Rural Hall, North Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Rural Hall, North Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Anderson Smith & Wike PLLC

February 9, 2024
Elon, North Carolina

**TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section I. Summary of Auditors' Results

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: yes X none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses: yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major federal programs:

AL Numbers

Names of Federal Program or Cluster

21.027

Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

**TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section II. Financial Statement Findings

Finding 23-01

MATERIAL WEAKNESS

Bank Reconciliation

Criteria: A primary component of a sound internal control environment requires the timely, accurate preparation of bank reconciliations.

Condition: During the year, bank reconciliations were not completed on a timely basis.

Effect: The Town did not have timely accurate financial information to base decisions. Additionally, there was an increased chance of fraud or error and delay in audit.

Cause: Oversight.

Identification of a Repeat Finding: This was communicated as a material weakness in the immediate previous audit.

Recommendation: Bank reconciliations should be prepared monthly and any errors should be immediately corrected.

Management Response: The Council agrees with this finding and recommendation.

**TOWN OF RURAL HALL, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

Section III. Federal Award Findings and Questioned Costs

Finding: None reported

TOWN OF RURAL HALL



MAYOR
Terry M. Bennett

MAYOR PRO TEM
Eddie Horn

COUNCIL
Mark Lane
Michael Woodcock
Anita Ring

INTERIM TOWN MANAGER
Homer Dearmin

TOWN CLERK
Lynette Hendrick

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2023

Section II. Financial Statement Findings

Finding: 23-01

Name of Contact Person: Homer Dearmin

Corrective Action Plan: Management will ensure accurate, timely completion of bank reconciliations.

Anticipated Completion Date: As soon as possible.

Section III. Federal Award Findings and Questioned Costs

Finding: None Reported

**TOWN OF RURAL HALL, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

No findings were reported in the previous two years.

**TOWN OF RURAL HALL, NORTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE YEAR ENDED JUNE 30, 2023**

<u>Grantor/Pass-through Grantor/Program title</u>	<u>Federal AL Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Federal Direct & - Pass-through Expenditures</u>	<u>State Expenditures</u>
Federal Awards:				
<u>U.S. Department of the Treasury</u>				
Passed through the Office of State Budget and Management				
N.C. Pandemic Recovery Office				
COVID-19-Coronavirus State and Local Fiscal Recovery Fund	21.027	TORHRR	\$ 1,040,228	\$ -
Total assistance federal programs			<u>1,040,228</u>	<u>-</u>
State Awards:				
<u>N.C. Department of Transportation</u>				
Powell Bill				
			<u>-</u>	<u>78,048</u>
<u>N.C. Office of State Budget Management</u>				
Passed through Forsyth County				
Local Project Reserve Grant - Fire Station				
			<u>-</u>	<u>51,074</u>
Total assistance state awards			<u>-</u>	<u>129,122</u>
Total Federal and State Awards			<u>\$ 1,040,228</u>	<u>\$ 129,122</u>

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

Note 1 - Basis of Presentation

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

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note 3 - Indirect Cost Rate

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