

TOWN OF ROLESVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2022

And Reports of Independent Auditor

TOWN OF ROLESVILLE, NORTH CAROLINA

Mayor

Ronnie Currin

Mayor Pro-Tem

Paul Vilga

Commissioners

Dan Alston
Michelle Medley
April Sneed
Sheilah Sutton

Town Manager

Kelly Arnold

Town Clerk

Robin Peyton

Attorney

Dave Neill

TOWN OF ROLESVILLE, NORTH CAROLINA
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR	1-3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4-10
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities.....	12
FUND FINANCIAL STATEMENTS	
Balance Sheet – Governmental Funds.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	16
NOTES TO THE FINANCIAL STATEMENTS	17-41
REQUIRED SUPPLEMENTARY INFORMATION	
Other Postemployment Benefits:	
Schedule of Changes in the Total OPEB Liability and Related Ratios.....	42
Local Government Employees’ Retirement System:	
Schedule of Proportionate Share of Net Pension Liability (Asset)	43
Schedule of Contributions.....	44
Law Enforcement Officers’ Special Separation Allowance:	
Schedule of Changes in Total Pension Liability	45
Schedule of Changes in Total Pension Liability as a Percentage of Covered Payroll	46
INDIVIDUAL FUND SCHEDULES	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	47-49
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Parks and Recreation.....	50
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund – Utility Reserve	51
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – LAPP Grants	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – American Rescue Plan Act Grants	53
OTHER SCHEDULES	
Schedule of Ad Valorem Taxes Receivable.....	54
Analysis of Current Tax Levy – Town-Wide Levy	55
COMPLIANCE SECTION	
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56-57
Schedule of Findings and Responses	58
Corrective Action Plan.....	59

Report of Independent Auditor

To the Honorable Mayor and Members
of the Board of Commissioners
Town of Rolesville
Rolesville, North Carolina

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

As management of the Town of Rolesville (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town of Rolesville for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town’s financial statements, which follow this narrative.

Financial Highlights

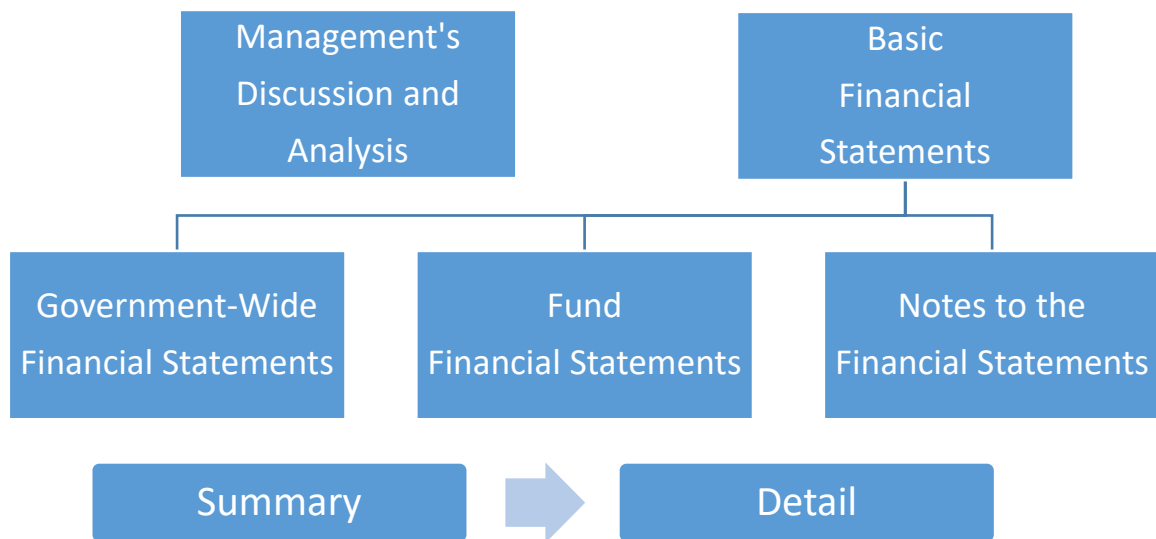
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$57,560,334 (net position).
- The government’s total net position increased by \$7,720,267, primarily due to an increase ad valorem taxes collected and sales tax distributions received.
- As of the close of the current fiscal year, the Town’s governmental funds reported combined ending fund balances of \$18,675,913, an increase of \$2,568,087 in comparison with the prior year. Approximately 50.7% of this total amount, or \$9,472,032, 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 \$7,082,449 or 68.9% of total general fund expenditures for the fiscal year. This is an increase of \$637,223 in unassigned fund balance from the prior year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



TOWN OF ROLESVILLE, NORTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Basic Financial Statements

The first two statements (pages 11 and 12) 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 (pages 13 through 16) 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 funds statements; and 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.

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 contain the governmental activities. The governmental activities include the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities.

The government-wide financial statements are on pages 11 and 12 of this report.

TOWN OF ROLESVILLE, NORTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Rolesville, 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 Rolesville are 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 adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 41 of this report.

**TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

Government-Wide Financial Analysis

The following summaries are provided for comparative analysis:

**Net Position
Figure 2**

	Governmental Activities	
	2022	2021
Current and other assets	\$ 20,843,047	\$ 16,596,778
Capital assets	45,993,350	41,121,159
Deferred outflows of resources	1,768,677	1,623,941
Total assets and deferred outflows of resources	68,605,074	59,341,878
Other liabilities	2,718,144	926,151
Long-term liabilities outstanding	6,718,099	8,164,050
Deferred inflows of resources	1,608,497	411,610
Total liabilities and deferred inflows of resources	11,044,740	9,501,811
Net position:		
Net investment in capital assets	42,408,350	36,779,159
Restricted	1,663,260	1,510,142
Unrestricted	13,488,724	11,550,766
Total Net Position	\$ 57,560,334	\$ 49,840,067

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 Rolesville exceeded liabilities and deferred inflows by \$57,560,334 as of June 30, 2022. The Town's net position increased by \$7,720,267 for the fiscal year ended June 30, 2022. However, the largest portion (73.20%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Rolesville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Rolesville's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Rolesville's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$13,764,366 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 99.87%.
- Increased sales tax revenues, ad valorem taxes, building permits, and environmental protection fees due to economic growth in the Town.

TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Changes in Net Position
Figure 3

	Governmental Activities	
	2022	2021
Revenues:		
Program Revenues:		
Charges for services	\$ 3,398,013	\$ 2,629,179
Operating grants and contributions	111,518	293,979
Capital grants and contributions	4,442,007	4,177,863
General Revenues:		
Property taxes	6,414,342	5,895,597
Other taxes	3,985,808	2,464,009
Other	47,761	167,647
Total Revenues	<u>18,399,449</u>	<u>15,628,274</u>
Expenses:		
General government	2,663,346	2,781,707
Public safety	4,073,289	3,736,313
Environmental protection	737,207	693,394
Cultural and recreation	1,026,968	774,692
Public works	2,077,072	1,852,978
Interest on long-term debt	101,300	84,292
Total Expenses	<u>10,679,182</u>	<u>9,923,376</u>
Increase in net position	7,720,267	5,704,898
Net position, beginning of year	<u>49,840,067</u>	<u>44,135,169</u>
Net position	<u>\$ 57,560,334</u>	<u>\$ 49,840,067</u>

Governmental activities - Governmental activities increased the Town's net position by \$7,720,267, which represents the entire growth in the net position of the Town of Rolesville. Key elements of this increase are as follows:

- Ad valorem tax revenues increased approximately \$560,000 over prior year.
- Infrastructure increased by \$3,111,432.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

**TOWN OF ROLESVILLE, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2022

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town's fund balance available in the General Fund was \$7,875,449, while total fund balance reached \$9,538,709. The Town currently has an available fund balance of 82.6% of general fund expenditures, while total fund balance represents 92.9% of the same amount.

At June 30, 2022, the governmental funds of the Town reported a combined fund balance of \$18,675,913 with a net increase in fund balance of \$2,568,087.

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

Expenditures were under budget due to planned reductions.

Capital Asset and Debt Administration

Capital Assets - The Town's investment in capital assets for its governmental activities as of June 30, 2022, totals \$45,993,350 (net of accumulated depreciation and amortization). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Capital Assets (net of depreciation and amortization)

Figure 4

	Governmental Activities	
	2022	2021
Right to use leased assets, net	\$ 275,642	\$ -
Land	13,799,469	13,332,569
Construction in progress	2,559,283	1,552,746
Buildings and system	1,226,255	1,289,598
Improvements other than buildings	859,789	914,710
Equipment	162,734	202,815
Vehicles and motorized equipment	622,081	452,058
Infrastructure	26,488,097	23,376,663
	\$ 45,993,350	\$ 41,121,159

Additional information on the Town's capital assets can be found in Note 2.4 of the Basic Financial Statements.

Long-Term Debt - As of June 30, 2022, the Town had no bonded debt outstanding. The Town of Rolesville had installment debt outstanding of \$3,585,000 which is collateralized by certain capital assets of the Town.

The Town of Rolesville's total debt decreased by \$757,000 (21.1%) during the past fiscal year primarily due to the payoff of the general obligation bond and routine payment on the notes payable during the fiscal year.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to eight percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$112,257,076.

Additional information regarding the Town of Rolesville's long-term debt can be found in Note 2.6.B of the basic financial statements.

TOWN OF ROLESVILLE, NORTH CAROLINA MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Economic Factors and Next Year's Budgets and Rates

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

- Economic growth in the region continues to be strong, building permit activity during the 21-22 fiscal year continued to be steady as new subdivisions create lots available for construction. The Town approved residential developments containing approximately 2,000 new residential lots in 2020, and these lots are expected to phase into construction over the next several years.
- Tax base growth continues to increase. Two large, mixed-use (residential and commercial) developments are underway.
- There continues to be interest in Rolesville from the development community. The Town is in a good position with water, sewer, natural gas, electricity, and roadway infrastructures.

Budget Highlights for the Fiscal Year Ending June 30, 2023

The Town Board of Commissioners and staff continue to budget conservatively in order to steadily increase the fund balance needed for this rapidly growing community. The Town focused the fiscal year 2022-23 budget on normalizing operations for the post-pandemic period.

The new fiscal year budget continues to reflect the growth of the community.

- The governing board began implementation of its revised five-year Capital Improvement Plan. The first year of this plan included funds for a Public Works Facility and Community Center.
- The budget continues the Town's commitment for the implementation of the Main Street Vision Plan by providing funding for the construction and implementation of these streetscape and road realignment projects.
- The property tax rate remained steady at the rate of 46 cents per \$100 valuation.
- The overall operating budget allows the Town to maintain the current levels of service for public safety, planning and development, culture and recreation, environmental services, public works, and general government.
- Employee staffing and compensation continues to be a significant focus with performance pay that keeps the Town's pay plan competitive with surrounding communities.
- Town staff continue to closely monitor inflationary effects on the acquisition of goods and services.

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 Director of Finance, Town of Rolesville, 502 Southtown Circle, Rolesville, North Carolina 27571.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 18,928,501
Taxes receivable, net	82,964
Accounts receivable, net	535,389
Due from other governments	804,880
Restricted cash and cash equivalents	491,313
Total Current Assets	<u>20,843,047</u>
Capital Assets:	
Right to use leased assets, amortized, net	275,642
Land, nondepreciable improvements	16,358,752
Other capital assets, net of depreciation	29,358,956
Total Capital Assets	<u>45,993,350</u>
Total Assets	<u>66,836,397</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrals - LGERS	918,405
Pension deferrals - LEO	315,507
OPEB deferrals	534,765
Total Deferred Outflows of Resources	<u>1,768,677</u>
LIABILITIES	
Current Liabilities:	
Accounts and taxes payable	785,462
Current portion of long-term liabilities	577,145
Lease accrued interest payable	914
Unearned revenue	1,354,623
Total Current Liabilities	<u>2,718,144</u>
Long-Term Liabilities:	
Net pension liability - LGERS	568,657
Total pension liability - LEO	745,544
Total OPEB liability	1,885,695
Long-term liabilities due in more than one year	3,518,203
Total Long-Term Liabilities	<u>6,718,099</u>
Total Liabilities	<u>9,436,243</u>
DEFERRED INFLOWS OF RESOURCES	
Pension deferrals - LGERS	844,536
Pension deferrals - LEO	163,473
OPEB deferrals	600,488
Total Deferred Inflows of Resources	<u>1,608,497</u>
NET POSITION	
Net investment in capital assets	42,408,350
Restricted for:	
Stabilization by state statute	1,171,947
Streets - Powell Bill	460,022
Police funds	31,291
Unrestricted	13,488,724
Total Net Position	<u>\$ 57,560,334</u>

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

Functions/Program	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants	Capital Grants Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government:					
Governmental Activities:					
General government	\$ 2,663,346	\$ 2,317,549	\$ 111,518	\$ -	\$ (234,279)
Public safety	4,073,289	-	-	-	(4,073,289)
Environmental protection	737,207	836,986	-	-	99,779
Cultural and recreation	1,026,968	243,478	-	-	(783,490)
Public works	2,077,072	-	-	4,442,007	2,364,935
Interest on long-term debt	101,300	-	-	-	(101,300)
Total Governmental Activities (see Note 1)	<u>\$ 10,679,182</u>	<u>\$ 3,398,013</u>	<u>\$ 111,518</u>	<u>\$ 4,442,007</u>	<u>(2,727,644)</u>
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					6,414,342
Other taxes					3,985,808
Unrestricted investment earnings					30,238
Miscellaneous					17,523
Total General Revenues					<u>10,447,911</u>
Change in net position					7,720,267
Net position, beginning of year					<u>49,840,067</u>
Net position, end of year					<u>\$ 57,560,334</u>

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

FUND FINANCIAL STATEMENTS

TOWN OF ROLESVILLE, NORTH CAROLINA
BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2022

	Major Funds					Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	ARPA Grants	LAPP Grants	
ASSETS						
Cash and cash equivalents	\$ 8,787,676	\$ 5,130,828	\$ 1,800,053	1,357,032	1,852,913	\$ 18,928,502
Receivables:						
Taxes	82,964	-	-	-	-	82,964
Accounts	177,926	357,463	-	-	-	535,389
Due from other governments	804,880	-	-	-	-	804,880
Restricted cash and cash equivalents	491,313	-	-	-	-	491,313
Total Assets	<u>\$ 10,344,759</u>	<u>\$ 5,488,291</u>	<u>\$ 1,800,053</u>	<u>\$ 1,357,032</u>	<u>\$ 1,852,913</u>	<u>\$ 20,843,048</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable and taxes payable	\$ 779,916	\$ 3,758	\$ -	\$ -	\$ 2,703	\$ 786,377
Unearned revenue	-	-	-	1,354,624	-	1,354,624
DEFERRED INFLOWS OF RESOURCES						
Property taxes receivable	26,134	-	-	-	-	26,134
FUND BALANCES						
Restricted:						
Stabilization by State Statute	1,171,947	-	-	-	-	1,171,947
Streets - Powell Bill	460,022	-	-	-	-	460,022
Police funds	31,291	-	-	-	-	31,291
Committed:						
Parks	-	2,722,497	-	-	-	2,722,497
Streets	-	2,225,071	-	-	-	2,225,071
Utility	-	-	1,800,053	-	-	1,800,053
Assigned:						
Future Capital Projects	793,000	-	-	-	-	793,000
Unassigned	7,082,449	536,965	-	2,408	1,850,210	9,472,032
Total Fund Balances	<u>9,538,709</u>	<u>5,484,533</u>	<u>1,800,053</u>	<u>2,408</u>	<u>1,850,210</u>	<u>18,675,913</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 10,344,759</u>	<u>\$ 5,488,291</u>	<u>\$ 1,800,053</u>	<u>\$ 1,357,032</u>	<u>\$ 1,852,913</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	45,993,350
Net pension liability	(568,657)
Total pension liability	(745,544)
Total OPEB liability	(1,885,695)
Deferred outflows of resources related to OPEB and pensions	1,768,677
Liabilities for unavailable revenues considered deferred inflows of resources in fund statements	26,134
Some liabilities, including notes payable and lease payables, are not due and payable in the current period and, therefore, are not reported in the funds	(4,095,347)
Deferred inflows of resources related to OPEB and pensions	(1,608,497)
Net Position of Governmental Activities	<u>\$ 57,560,334</u>

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	Major Funds					Total Governmental Funds
	General	Capital Projects Fund	Utility Reserve	ARPA Grants	LAPP Grants	
REVENUES						
Ad valorem taxes	\$ 6,444,008	\$ -	\$ -	\$ -	\$ -	\$ 6,444,008
Other taxes	2,797,268	-	-	-	-	2,797,268
Unrestricted intergovernmental	1,118,928	-	-	-	-	1,118,928
Restricted intergovernmental	390,625	1,884,418	-	-	-	2,275,043
Permits and fees	502,743	-	-	-	-	502,743
Sales and services	1,080,464	-	-	-	-	1,080,464
Investment earnings	17,536	7,264	3,031	2,408	-	30,239
Miscellaneous	17,620	-	-	-	-	17,620
Total Revenues	12,369,192	1,891,682	3,031	2,408	-	14,266,313
EXPENDITURES						
Current:						
General government	2,434,110	-	-	-	-	2,434,110
Public safety	4,057,361	-	-	-	-	4,057,361
Culture and recreation	933,750	-	-	-	-	933,750
Environmental protection	738,552	-	-	-	-	738,552
Public works	1,500,840	1,169,523	-	-	5,790	2,676,153
Debt Service:						
Principal	542,000	215,000	-	-	-	757,000
Interest and other charges	67,738	33,562	-	-	-	101,300
Total Expenditures	10,274,351	1,418,085	-	-	5,790	11,698,226
Revenues Over (Under) Expenditures	2,094,841	473,597	3,031	2,408	(5,790)	2,568,087
Other Financing Sources (Uses):						
Transfers Out	(2,744,500)	(473,000)	-	-	-	(3,217,500)
Transfers In	-	1,361,500	-	-	1,856,000	3,217,500
Total Other Financing Sources (Uses)	(2,744,500)	888,500	-	-	1,856,000	-
Net change in fund balance	(649,659)	1,362,097	3,031	2,408	1,850,210	2,568,087
Fund balances, beginning of year	10,188,368	4,122,436	1,797,022	-	-	16,107,826
Fund balances, end of year	\$ 9,538,709	\$ 5,484,533	\$ 1,800,053	\$ 2,408	\$ 1,850,210	\$ 18,675,913

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

TOWN OF ROLESVILLE, NORTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

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

Net changes in fund balances - total governmental funds \$ 2,568,087

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 or terms of the lease and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$	2,338,491	
Depreciation		(1,524,369)	
Amortization		(104,833)	
		709,289	709,289

Land and infrastructure contributed by developers is considered capital contributions for the statement of activities, but is not reported in the funds. 4,162,900

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund:

Change in unavailable revenues for tax revenues (29,666)

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 funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and recognized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 482,705

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		(22,865)	
Pension expense - LGERS		90,209	
Pension expense - LEO		(88,959)	
Other postemployment benefits		(151,433)	
		(173,048)	(173,048)

Total Changes in Net Position of Governmental Activities \$ 7,720,267

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2022

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Ad valorem taxes	\$ 6,110,000	\$ 6,110,000	\$ 6,444,008	\$ 334,008
Other taxes	1,840,000	1,840,000	2,797,268	957,268
Unrestricted intergovernmental	585,980	885,980	1,118,928	232,948
Restricted intergovernmental	221,600	265,450	390,625	125,175
Permits and fees	247,500	377,500	502,743	125,243
Sales and services	984,000	1,014,200	1,080,464	66,264
Investment earnings	11,850	1,350	17,536	16,186
Miscellaneous	-	10,500	17,620	7,120
Total Revenues	10,000,930	10,504,980	12,369,192	1,864,212
EXPENDITURES				
Current:				
General government	2,717,290	2,931,300	2,432,645	498,655
Public safety	4,147,840	4,236,190	4,058,826	177,364
Culture and recreation	1,057,380	1,170,850	933,750	237,100
Environmental protection	744,000	744,000	738,552	5,448
Public works	1,421,820	1,451,820	1,500,840	(49,020)
Debt Service:				
Principal	293,500	580,500	542,000	38,500
Interest and other charges	45,950	58,950	67,738	(8,788)
Total Expenditures	10,427,780	11,173,610	10,274,351	899,259
Revenues Over (Under) Expenditures	(426,850)	(668,630)	2,094,841	2,763,471
Other Financing Sources (Uses)				
Transfers to capital projects fund	(1,428,000)	(1,361,500)	(1,361,500)	-
Transfers to LAPP grants fund	-	(1,383,000)	(1,383,000)	-
Appropriated fund balance	1,854,850	3,413,130	-	(3,413,130)
Total Other Financing Sources (Uses)	426,850	668,630	(2,744,500)	(3,413,130)
Net change in fund balance	\$ -	\$ -	(649,659)	\$ (649,659)
Fund balances, beginning of year			10,188,368	
Fund balances, end of year			\$ 9,538,709	

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies

The accounting policies of the Town 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 Rolesville is a municipal corporation which is governed by an elected mayor and a five-member council.

B. *Basis of Presentation* –

1. *Government-Wide Statements* – The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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.

2. *Fund Financial Statements* – The fund financial statements provide information about the Town's funds. Separate columns for each governmental fund are presented. The emphasis of fund financial statements is on major governmental funds. The Town reports the following major governmental funds:
3. *General Fund* – The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, street maintenance and construction, and sanitation services.
4. *Capital Projects Fund* – This fund is used for the acquisition or construction of capital projects.
5. *Utility Projects Fund* – This fund is used for the acquisition or construction of water and wastewater projects.
6. *LAPP Grants Fund* – This fund is used for the acquisition or construction of capital grants that are completed using significant federal grants.
7. *American Rescue Plan Act Grants Fund* – This fund is used for money the Town received from the American Rescue Plan-Coronavirus State and Local Fiscal Recovery Funds.

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.

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

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.

2. *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 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 shared revenue for the Town of Rolesville because the tax is levied by Wake County and then remitted to and distributed by the State. Intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

- D. *Budgetary Data* – The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, LAPP Grants Fund, and American Rescue Plan Act Grants Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund – Parks and Recreation and Capital Projects Fund – Utility Reserve. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. The Budget Officer is authorized to transfer appropriations within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

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

1. *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 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) money market mutual fund, is measured at fair value. The NCCMT- Term Portfolio is bond fund, has no rating and is measured at fair value. Because the NCCMT Government have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. *Cash and Cash Equivalents* – The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.
3. *Restricted Cash* - The Town records Powell Bill funds and Drug Forfeiture funds as restricted cash.

General Fund

Powell Bill	460,022
Police Funds	31,291
	<u>\$ 491,313</u>

4. *Ad Valorem Taxes Receivable* – In accordance with State law ([G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.
5. *Allowance for Doubtful Accounts* – All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing all overdue account balances at the end of the fiscal year.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

6. *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: land, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$10,000; infrastructure, \$35,000; furniture and equipment, \$5,000; and vehicles, \$5,000. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network that was acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30 years
Buildings	25 years
Other Improvements	25 years
Vehicles and motorized equipment	5 years
Furniture and Equipment	5 years

7. *New Accounting Pronouncement – Right to Use Lease Asset and Lease Liability* – The Town has recorded right to use lease assets and liabilities as a result of implementing Governmental Accounting Standards Board (GASB) 87, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.
8. *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 three items that meet this criterion: pension plan deferrals, special separation allowance deferrals, and other post-employment benefit obligation deferrals. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has five items that meet the criterion for this category: unavailable property taxes, pension plan deferrals, special separation allowance deferrals, other post-employment benefit obligation deferrals, and deferred revenue related to ARPA funds.
9. *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. Bond premiums and discounts are deferred and recognized over the life of the bonds using the straight-line method that approximates the effective interest method. Notes payable are reported net of the applicable premiums or discounts. Note issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

10. *Compensated Absences* – The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town’s government-wide 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 Town’s sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. *Net Position/Fund Balance* –

Net Position

Net position, in government-wide financial statements, is classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, 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:

- a. *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. The Town has no nonspendable fund balance at year-end.
- b. *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 for State statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.
 - *Restricted for 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.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

- *Restricted for Debt Service – USDA* – Portion of fund balance restricted by the United States Department of Agriculture Rural Development to cover one year of debt service on the Town’s Waste Water Bond.
- *Restricted for Police Funds* – Portion of fund balance that is restricted by revenue source for allowable law enforcement purposes.
- c. *Committed Fund Balance* – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town’s governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
 - *Committed for Parks* – Portion of fund balance that the Town has committed to park projects.
 - *Committed for Street Fare* – Portion of fund balance that the town has committed to street projects.
 - *Committed for Utility Reserve* – Portion of fund balance that the Town has committed to utility projects.
- d. *Assigned Fund Balance* – Portion of fund balance that the Town intends to use for specific purposes.
 - *Assigned Future Capital Projects* – Portion of fund balance that has been budgeted by the Board for future capital project needs.
- e. *Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Rolesville has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Town 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. Town management has the authority to deviate from this policy if it is in the best interest of the Town.

12. *Pensions* – For the 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’s employer contributions are recognized when due and the Town of Rolesville 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.
13. *Law Enforcement Special Separation Allowance* – The Town administers a single-employer defined benefit pension plan that provides retirement benefits to the Town’s sworn law enforcement. This Law Enforcement Special Separation Allowance (“LEOSSA”) Plan is not held in a defined trust.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

14. *Other Postemployment Benefit Plan* – The Town participates in one other postemployment benefit plan (“OPEB”), the Employee Health Benefit Plan (the “Plan”). This is available to employees hired prior to July 1, 2010. The Town currently finances the Plan following a pay-as-you-go approach, paying an amount each year equal to the benefits distributed or claimed during the year. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.
15. *Law Enforcement Special Separation Allowance* – The Town administers a single-employer defined benefit pension plan that provides retirement benefits to the Town’s sworn law enforcement. This Law Enforcement Special Separation Allowance (“LEOSSA”) Plan is not held in a defined trust.
16. *Interfund Transfers* – The General Fund provides the basis of local resources for other governmental funds. These transactions are recorded as “Transfers in/(out)” in the General Fund and “Transfers in/(out)” in the receiving fund in the Fund Financial Statements.
17. *Use of Estimates* – The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
18. *Stewardship, compliance, and accountability* – For the fiscal year ended June 30, 2022, the Town’s expenditures have exceeded amounts budgeted in the general fund for the following department:

Public Works: \$49,020

Note 2—Detail notes on all funds

A. Assets

1. *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 agents in these units’ names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer’s agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town’s agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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 formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

At June 30, 2022, the Town's deposits had a carrying amount of \$496,379 and a bank balance of \$741,515. \$250,000 was covered by federal depository insurance, the remaining was collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. At June 30, 2022, the Town's petty cash totaled \$1,950.

2. *Investments* – At June 30, 2022, the Town had \$18,921,485 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard and Poor's and AAAMf by Moody's Investor Service. It is reported at fair value. The Town has no policy regarding credit risk.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk.

Credit Rate Risk. The Town has no formal policy regarding credit risk, but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The City's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2022.

3. *Receivables* – Accounts receivable consists of amounts due for garbage collection.

No allowance for doubtful accounts has been established.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

4. *Capital Assets* –

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

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,332,569	\$ 466,900	\$ -	\$ 13,799,469
Construction in progress	1,552,646	1,006,637	-	2,559,283
Total capital assets not being depreciated	<u>14,885,215</u>	<u>1,473,537</u>	<u>-</u>	<u>16,358,752</u>
Right to use leased assets being amortized:				
Leased equipment	-	116,426	-	116,426
Leased building	-	264,048	-	264,048
Total leased assets being amortized	<u>-</u>	<u>380,474</u>	<u>-</u>	<u>380,475</u>
Capital assets being depreciated:				
Buildings	1,584,831	-	-	1,584,831
Other improvements	2,064,914	22,713	-	2,087,627
Furniture and equipment	696,211	45,044	-	741,255
Vehicles and motorized equipment	1,204,858	358,175	-	1,563,033
Infrastructure	33,731,228	4,221,548	-	37,952,776
Total capital assets being depreciated	<u>39,282,042</u>	<u>4,647,480</u>	<u>-</u>	<u>43,929,522</u>
Less accumulated amortization for:				
Leased equipment	-	38,821	-	38,821
Leased building	-	66,012	-	66,012
Total accumulated amortization	<u>-</u>	<u>104,833</u>	<u>-</u>	<u>104,833</u>
Less accumulated depreciation for:				
Buildings	295,234	63,342	-	358,576
Other improvements	1,150,203	77,635	-	1,227,838
Equipment	493,396	85,125	-	578,521
Vehicles and motorized equipment	752,801	188,151	-	940,952
Infrastructure	10,354,563	1,110,116	-	11,464,679
Total accumulated depreciation	<u>13,046,197</u>	<u>1,524,369</u>	<u>-</u>	<u>14,570,566</u>
Total capital assets being depreciated, net	<u>26,235,845</u>	<u>3,123,111</u>	<u>-</u>	<u>29,358,956</u>
Governmental activities capital assets, net	<u>\$ 41,121,060</u>	<u>\$ 4,596,648</u>	<u>\$ -</u>	<u>\$ 45,993,350</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

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

General government	\$ 1,251,213
Public safety	255,679
Cultural and recreational	122,310
	<u>\$ 1,629,202</u>

5. *Right to Use Leased Assets—*

The Town has recorded four right to use leased assets for equipment and one right to use leased asset related to a building. These right to use assets are amortized on a straight-line basis over the terms of the related leases.

The activity for the Right to Use Leased Assets for the year ended June 30, 2022 are as follows:

	<u>Balance as of</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance as of</u> <u>June 30, 2022</u>
Right to Use Lease Assets				
Equipment	-	116,426	-	116,426
Buildings	-	264,048	-	264,048
Total Lease Assets	-	380,475	-	380,475
Lease Accumulated Amortization				
Equipment	-	38,821	-	38,821
Buildings	-	66,012	-	66,012
Total Lease Accumulated Amortization	-	104,833	-	104,833
Total Right to Use Lease Assets, Net	-	275,642	-	275,642

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System:

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Rolesville 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 Rolesville's contractually required contribution rate for the year ended June 30, 2022 was 12.040% of compensation for law enforcement officers and 11.470% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Rolesville were \$340,773 for the year ended June 30, 2022.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the Town reported a liability of \$568,657 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town's proportion was 0.03708%, which was an decrease of 0.00137% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$250,564. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 180,910	\$ -
Changes of assumptions	357,262	-
Net difference between projected and actual earnings on pension plan investments	-	812,441
Changes in proportion and differences between Town contributions and proportionate share of contributions	39,460	32,095
Town contributions subsequent to the measurement date	340,773	-
	<u>\$ 918,405</u>	<u>\$ 844,536</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

\$340,773 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending June 30</u>	
2023	\$ 60,295
2023	(7,152)
2024	(71,435)
2025	(248,612)
	<u>\$ (266,904)</u>

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

Inflation	2.50%
Salary increases	3.25% to 8.25%, including inflation and productivity factor
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

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 forgoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

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

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

a. Local Governmental Employees' Retirement System (continued):

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town's proportionate share of the Net Pension Liability	\$ 2,207,481	\$ 568,657	\$ (779,999)

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

b. Law Enforcement Officer's Special Separation Allowance:

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

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

	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	0
Active plan members	19
	<u>19</u>

Summary of Significant Accounting Policies:

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

The Separation Allowance has no assets accumulated in a trust.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

Actuarial Assumptions:

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

Inflation	2.50%
Salary increases	3.25% to 7.75%, including inflation and productivity factor
Discount rate	2.25%

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index determined as of the measurement date.

Mortality rates are based on the RP-2014 mortality tables with adjustments for mortality improvements based on MP-2015.

Contributions:

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

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

At June 30, 2022, the town reported a total pension liability of \$745,544. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporation the actuarial assumptions. For the year ended June 30, 2022, the town recognized pension expense of \$88,959.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 88,003	\$ 137,341
Changes of assumptions and other inputs	227,504	26,132
	<u>\$ 315,507</u>	<u>\$ 163,473</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

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

<u>Years Ending June 30</u>	
2023	\$ 22,166
2024	22,408
2025	25,656
2026	41,474
2027	33,305
Thereafter	7,025
	<u>\$ 152,034</u>

Sensitivity of the Town's Total Pension Liability to Changes in the Discount Rate – The following presents the Town's total pension liability calculated using the discount rate of 2.25%, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.25%) or one percentage point higher (3.25%) than the current rate:

	<u>1% Decrease</u> <u>(1.25%)</u>	<u>Discount Rate</u> <u>(2.25%)</u>	<u>1% Increase</u> <u>(3.25%)</u>
Town's proportionate share of the Net Pension Liability	\$ 819,730	\$ 745,544	\$ 677,450

Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2022

Beginning balance	<u>\$ 795,332</u>
Service cost	52,135
Interest on the total pension liability	15,350
Difference between expected and actual experience	(94,208)
Changes in assumptions or other inputs	<u>(23,065)</u>
Net change	<u>(49,788)</u>
Ending balance of the total pension liability	<u>\$ 745,544</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study as of December 31, 2019.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

b. Law Enforcement Officer's Special Separation Allowance (continued):

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

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

	<u>LGERS</u>	<u>LEOSSA</u>	<u>Total</u>
Pension expense	\$ 250,564	\$ 88,959	\$ 339,523
Pension liability	568,657	745,544	996,108
Proportionate share of the net pension liability	0.03845%	N/A	
Deferred of Outflows of Resources			
Differences between expected and actual experience	180,910	88,003	268,913
Changes of assumptions	357,262	227,504	584,766
Changes in proportion and differences between contributions and proportionate share of contributions	39,460	-	39,460
Benefit payments and administrative costs paid subsequent to the measurement date	340,773	-	340,773
Deferred of Inflows of Resources			
Differences between expected and actual experience	-	137,341	137,341
Changes of assumptions	-	26,132	26,132
Net difference between projected and actual earnings on plan investments	812,441	-	812,441
Changes in proportion and differences between contributions and proportionate share of contributions	32,095	-	32,095

c. Supplemental Retirement Income Plan:

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

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (concluded)

c. Supplemental Retirement Income Plan (continued):

Funding Policy – Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer’s salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2022, were \$204,619, which consisted of \$139,321 from the Town and \$65,298 from the law enforcement officers. The Town also contributes 5% of the salary of employees not engaged in law enforcement to this plan.

2. Other Postemployment Benefit

Plan Description – Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan). The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust.

Benefits Provided – If hired before July 1, 2018, the Town pays 50% of premiums for employees retiring at age 55 or later who have at least eleven years of service. The Town pays 100% of premiums for employees retiring at age 55 or later who have at least fifteen years of service. At age 65, the Town subsidizes a Medicare supplement. The Town obtains health care coverage through private insurers.

If hired after July 1, 2018, the Town pays 50% of premiums for employees retiring at age 55 or later who have at least 20 years of service. The Town pays 100% of premiums for employees retiring at age 55 or later who have at least 30 years of service. Participating retired employees hired after July 1, 2018 will have coverage terminated upon reaching Medicare eligibility.

Membership of the HCB Plan consisted of the following at June 30, 2021, the date of the latest actuarial valuation:

Retirees receiving benefits	3
Active plan members	41
	44
	44

Total OPEB Liability:

The Town's total OPEB liability of \$1,885,695 was measured as of June 30, 2021 and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary increases	3.25% to 8.41%, including inflation
Discount rate	2.16%
Healthcare cost trend rates	
Pre-Medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031
Medicare	5.125% for 2021 decreasing to an ultimate rate of 4.50% by 2024

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (continued)

The discount rate used to measure the total OPEB liability was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

Changes in the Total OPEB Liability

Balance at July 1, 2021	\$ 1,932,550
Changes for the year:	
Service cost	138,875
Interest	45,635
Differences between expected and actual experience	(369,747)
Changes in assumptions or other inputs	151,469
Benefit payments	(13,087)
Net changes	(46,855)
Balance at June 30, 2022	\$ 1,885,695

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation were based on a review of recent plan experience done concurrently with the June 30, 2021 valuation.

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 one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current discount rate:

	<u>1% Decrease</u> <u>(1.16%)</u>	<u>Discount Rate</u> <u>(2.16%)</u>	<u>1% Increase</u> <u>(3.16%)</u>
Total OPEB Liability	\$ 2,352,797	\$ 1,885,695	\$ 1,532,946

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (concluded)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	Pre-Medicare 6.00% Medicare 4.00%	Current Discount Rate Pre-Medicare 7.00% Medicare 5.00%	Pre-Medicare 8.00% Medicare 6.00%
Total OPEB Liability	\$ 1,481,231	\$ 1,885,695	\$ 2,439,242

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$164,174. At June 30, 2022, the town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,260	\$ 429,005
Changes of assumptions	518,864	171,483
Benefit payments and administrative costs made subsequent to the measurement	11,641	-
	<u>\$ 534,765</u>	<u>\$ 600,488</u>

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

<u>Years Ending June 30</u>	
2023	\$ (20,336)
2024	(20,336)
2025	(20,336)
2026	(20,336)
2027	(20,336)
Thereafter	24,316
	<u>\$ (77,364)</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 3—Other employment benefit

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

Note 4—Deferred outflows and inflows of resources

The Town has several deferred inflows and outflows of resources which are disclosed in Note 1. Deferred inflows of resources in the General Fund are comprised of the following:

	<u>Amount</u>
Tax receivable, less penalties (General Fund)	\$ 26,134

Note 5—Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$5 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the North Carolina League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town does not carry flood insurance due to the low risk of flooding in its geographical area.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are covered under an employee dishonesty declaration for \$15,000 per occurrence.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Long-term obligations

- A. Leases – The Town has recorded four right to use leased assets for equipment and one right to use leased asset related to a building below is the schedule of the related lease liabilities.

Principal and Interest Requirements to Maturity

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2023	107,145	2,393	109,538
2024	94,112	1,398	95,510
2025	71,072	477	71,549
2026	1,966	9	1,974
Total	274,295	4,276	278,572

- B. *Notes Payable* – In June 2021, the Town entered into a loan agreement with Southern Bank to finance the purchase of a lot. The note payable to Southern Bank has a balance due at June 30, 2022 of \$1,440,000 due in two semi-annual payments of \$80,000 plus interest at 1.63%. A final payment of all outstanding principal and interest is due in June 2031. The loan is secured by the property.

In October 2017, the Town entered into a loan agreement with BB&T Bank to finance the purchase of a lot. The note payable to BB&T has a balance due at June 30, 2022 of \$1,290,000 due in two annual payments of \$216,000 followed by seven annual payments of \$215,000 plus interest at 2.23%. A final payment of all outstanding principal and interest in September 2027. The loan is secured by the property.

In December 2015, the Town entered into a loan agreement with BB&T Bank to finance the purchase of the town hall building. The note payable to BB&T has a balance at June 30, 2022 of \$855,000 due in annual installments of \$95,000 plus interest at 2.77%. A final payment of all outstanding principal and interest in December 2030. The loan is secured by the property.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—Long-term obligations (continued)

C. *Changes in Long-Term Liabilities –*

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

<u>Years Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 470,000	\$ 75,272
2024	470,000	65,292
2025	470,000	55,204
2026	470,000	45,170
2027	470,000	35,136
Thereafter	1,235,000	54,613
	<u>\$ 3,585,000</u>	<u>\$ 330,687</u>

At June 30, 2022, the Town had no bonds authorized but unissued and a legal debt margin of \$112,257,076.

	<u>Balance</u>			<u>Balance</u>	<u>Current</u>
	<u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>	<u>Portion</u>
					<u>of Balance</u>
Governmental activities:					
Notes payable	\$ 4,055,000	\$ -	\$ 470,000	\$ 3,585,000	\$ 470,000
General obligation bonds	287,000	-	287,000	-	-
Compensated absences	213,186	22,865	-	236,051	-
Leases	-	380,474	106,178	274,295	107,145
Total OPEB liability	1,932,550	-	46,855	1,885,695	-
Net pension liability (LGERS)	1,373,982	-	805,325	568,657	-
Total pension liability (LEO)	795,332	-	49,788	745,544	-
Governmental activities long-term liabilities	<u>\$ 8,657,050</u>	<u>\$ 403,339</u>	<u>\$ 1,765,146</u>	<u>\$ 7,295,242</u>	<u>\$ 577,145</u>

D. *Fund Balance* – The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation:

Total fund balance - General Fund	\$ 9,538,709
Less:	
Stabilization by State statute	1,171,947
Streets - Powell Bill	460,022
Police Funds	31,291
Assigned - future capital	793,000
Remaining fund balance	<u>\$ 7,082,449</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 7—Contingencies

Federal and State Assisted Programs – The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys 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 8—Subsequent events

Management of the Town of Rolesville evaluated subsequent events through October 31, 2022, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF ROLESVILLE, NORTH CAROLINA
OTHER POSTEMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

*Last Five Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:					
Service costs	\$ 138,875	\$ 90,922	\$ 98,320	\$ 104,609	\$ 119,031
Interest on the total pension liability	45,635	49,274	52,735	46,761	40,144
Changes in benefit terms	-	-	(5,101)	-	-
Differences between expected and actual experience	(369,747)	4,876	(142,330)	279	331
Changes of assumptions	151,459	478,190	(29,268)	(100,894)	(173,686)
Net Benefit payments	(13,087)	(15,121)	(11,097)	(6,179)	(5,819)
Net change in total OPEB liability	(46,865)	608,141	(36,741)	44,576	(19,999)
Total OPEB liability, beginning of year	1,932,550	1,324,409	1,361,150	1,316,574	1,336,573
Total OPEB liability, end of year	<u>\$ 1,885,685</u>	<u>\$ 1,932,550</u>	<u>\$ 1,324,409</u>	<u>\$ 1,361,150</u>	<u>\$ 1,316,574</u>
Covered payroll	\$ 2,613,477	\$ 2,246,937	\$ 2,246,937	\$ 1,597,230	1,597,230
Total OPEB liability as a percentage of covered payroll	72.15%	86.01%	58.94%	85.22%	82.43%

Note to schedule

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET POSITION LIABILITY (ASSET)

*Last Nine Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Rolesville's proportion of the net pension liability (asset) (%)	0.03708%	0.03845%	0.03518%	0.02976%	0.03041%	0.03199%	0.02505%	-0.02420%	0.10760%
Rolesville's proportion of the net pension liability (asset) (\$)	\$ 568,657	\$ 1,373,982	\$ 960,738	\$ 706,009	\$ 464,581	\$ 678,935	\$ 112,423	\$ (142,719)	\$ 22,148
Rolesville's covered-employee payroll	\$ 2,569,358	\$ 2,440,998	\$ 2,128,329	\$ 1,759,967	\$ 1,672,632	\$ 1,533,212	\$ 1,317,493	\$ 1,047,054	\$ 911,050
Rolesville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	22.13%	56.29%	45.14%	40.11%	27.78%	44.28%	8.53%	-13.63%	23.29%
Plan fiduciary net position as a percentage of the total pension liability**	95.51%	88.61%	90.86%	94.00%	94.18%	91.47%	98.09%	102.64%	94.35%

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

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

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

TOWN OF ROLESVILLE, NORTH CAROLINA
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS

*Last Nine Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 340,773	\$ 271,192	\$ 229,365	\$ 174,085	\$ 139,968	\$ 128,443	\$ 106,508	\$ 95,820	\$ 75,358
Contributions in relation to the contractually required contribution	<u>340,773</u>	<u>271,192</u>	<u>229,365</u>	<u>174,085</u>	<u>139,968</u>	<u>128,443</u>	<u>106,508</u>	<u>95,820</u>	<u>75,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Rolesville's covered-employee payroll	\$ 2,901,906	\$ 2,569,358	\$ 2,440,998	\$ 2,128,329	\$ 1,759,967	\$ 1,672,632	\$ 1,533,212	\$ 1,317,493	\$ 1,047,054
Contributions as a percentage of covered-employee payroll	11.74%	10.55%	9.40%	8.18%	7.95%	7.68%	6.95%	7.27%	7.20%

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY

*Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 795,332	\$ 374,857	\$ 280,368	\$ 382,809	\$ 340,904	\$ 328,651
Service cost	52,135	35,532	25,091	22,743	20,537	21,218
Interest on the total pension liability	15,350	12,220	10,205	12,097	13,159	11,528
Difference between expected and actual experience	(94,208)	84,333	45,097	(124,211)	(17,279)	-
Changes in assumptions or other inputs	(23,065)	288,390	14,096	(13,070)	25,488	(8,996)
Net benefit payments	-	-	-	-	-	(11,497)
Ending Balance of the Total Pension Liability	<u>\$ 745,544</u>	<u>\$ 795,332</u>	<u>\$ 374,857</u>	<u>\$ 280,368</u>	<u>\$ 382,809</u>	<u>\$ 340,904</u>

Note to schedule

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

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.25%
2021	1.93%
2020	3.26%
2019	3.64%

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

TOWN OF ROLESVILLE, NORTH CAROLINA
LAW ENFORCEMENT OFFICERS' SPECIAL SEPARATION ALLOWANCE
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AS A PERCENTAGE OF
COVERED PAYROLL

*Last Six Fiscal Years**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 745,544	\$ 795,332	\$ 374,857	\$ 280,368	\$ 382,809	\$ 340,904
Covered payroll	\$ 1,248,765	\$ 1,380,024	\$ 1,101,978	\$ 1,035,648	\$ 969,967	\$ 929,972
Total pension liability as a percentage of covered payroll	59.70%	57.63%	34.02%	27.07%	39.47%	36.66%

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

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

*This schedule is intended to show information for ten years, additional years' information will be displayed as it becomes available.

INDIVIDUAL FUND SCHEDULES

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – GENERAL FUND

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current and prior years	\$ 6,110,000	\$ 6,444,008	\$ 334,008
Other Taxes and Licenses:			
Wake County sales tax		2,797,268	
Privilege licenses		-	
Total Other Taxes and Licenses	<u>1,840,000</u>	<u>2,797,268</u>	<u>957,268</u>
Unrestricted Intergovernmental:			
Franchise tax		510,170	
Beer and wine		38,255	
Wake County ABC revenue		56,416	
Motor vehicle tax		156,770	
Other intergovernmental		357,317	
Total Unrestricted Intergovernmental	<u>885,980</u>	<u>1,118,928</u>	<u>232,948</u>
Restricted Intergovernmental:			
Powell Bill allocation		279,107	
Grants		111,518	
Total Restricted Intergovernmental	<u>265,450</u>	<u>390,625</u>	<u>125,175</u>
Permits and Fees:			
Building permits	<u>377,500</u>	<u>502,743</u>	<u>125,243</u>
Sales and Services:			
Recreation fees and concessions		243,478	
Environmental protection fees		836,986	
Total Sales and Services	<u>1,014,200</u>	<u>1,080,464</u>	<u>66,264</u>
Investment earnings	<u>1,350</u>	<u>17,536</u>	<u>16,186</u>
Miscellaneous:			
Miscellaneous	<u>10,500</u>	<u>17,620</u>	
Total Miscellaneous	<u>10,500</u>	<u>17,620</u>	<u>7,120</u>
Total Revenues	<u>10,504,980</u>	<u>12,369,192</u>	<u>1,864,212</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General Government:			
Governing body:			
Salaries	\$ 56,700	56,411	\$ 289
Administration:			
Salaries and employee benefits	1,564,300	1,364,493	
Operating expenses	1,258,070	993,129	
Capital outlay	52,230	18,612	
Total Administration	<u>2,874,600</u>	<u>2,376,234</u>	<u>498,366</u>
Total General Government	<u>2,931,300</u>	<u>2,432,645</u>	<u>498,655</u>
Public Safety:			
Salaries and employee benefits	2,224,800	2,016,012	
Operating expenses	1,785,790	1,805,530	
Capital outlay	225,600	237,284	
Total Public Safety	<u>4,236,190</u>	<u>4,058,826</u>	<u>177,364</u>
Recreation:			
Salaries and employee benefits	554,800	465,287	
Operating expenses	505,580	395,080	
Capital outlay	110,470	73,383	
Total Recreation	<u>1,170,850</u>	<u>933,750</u>	<u>237,100</u>
Environmental Protection:			
Contracted services	744,000	738,552	5,448
Public Works:			
Salaries and employee benefits	291,000	286,724	
Operating expenses	442,820	434,842	
Capital outlay	718,000	779,274	
Total Public Works	<u>1,451,820</u>	<u>1,500,840</u>	<u>(49,020)</u>
Debt Service:			
Principal retirement	580,500	542,000	
Interest and other charges	58,950	67,738	
Total Debt Service	<u>639,450</u>	<u>609,738</u>	<u>29,712</u>
Total Expenditures	<u>11,173,610</u>	<u>10,274,351</u>	<u>899,259</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – GENERAL FUND (CONTINUED)

YEAR ENDED JUNE 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues Over (Under) Expenditures	\$ (668,630)	\$ 2,094,841	\$ 2,763,471
Other Financing Sources (Uses):			
Transfer to capital project fund	(1,361,500)	(1,361,500)	-
Transfer to LAPP grant fund	(1,383,000)	(1,383,000)	-
Appropriated fund balance	<u>3,413,130</u>	<u>-</u>	<u>(3,413,130)</u>
Total Other Financing Sources (Uses)	<u>668,630</u>	<u>(2,744,500)</u>	<u>(3,413,130)</u>
Net change in fund balance	<u>\$ -</u>	(649,659)	<u>\$ (649,659)</u>
Fund balances, beginning of year		<u>10,188,368</u>	
Fund balances, end of year		<u>\$ 9,538,709</u>	

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – CAPITAL PROJECTS FUND – PARKS AND RECREATION

FROM INCEPTION AND YEAR ENDED JUNE 30, 2022

	Project		Actual		Variance
	Authorization	Prior	Current	Total to	Positive
		Year	Year	Date	(Negative)
Revenues:					
Park fees	\$ -	\$ 1,301,000	\$ -	\$ 1,301,000	\$ 1,301,000
Street fees	10,549,000	1,749,270	1,884,418	3,633,688	(6,915,312)
Intergovernmental	-	492,825	-	492,825	492,825
Investment earnings	-	39,815	7,264	47,079	47,079
Total Revenues	10,549,000	3,582,910	1,891,682	5,474,592	(5,074,408)
Expenditures:					
Capital outlay	12,910,000	4,589,457	1,169,523	5,758,980	(7,151,020)
Debt Service:					
Principal retirement	-	432,000	215,000	647,000	647,000
Interest and other charges	-	81,573	33,562	115,135	115,135
Total Debt Service	-	513,573	248,562	762,135	762,135
Total Expenditures	12,910,000	5,103,030	1,418,085	6,521,115	(6,388,885)
Revenues under expenditures	(2,361,000)	(1,520,120)	473,597	(1,046,523)	1,314,477
Other Financing Sources (Uses):					
Loan proceeds	-	1,600,000	-	1,600,000	1,600,000
Transfer from general fund	1,428,000	1,145,000	1,361,500	2,506,500	3,934,500
Transfer to LAPP grant fund	-	-	(473,000)	(473,000)	(473,000)
Appropriation of fund balance	933,000	-	-	-	933,000
Total Other Financing Sources	2,361,000	2,745,000	888,500	3,633,500	5,994,500
Net change in fund balance	\$ -	\$ 1,224,880	1,362,097	\$ 2,586,977	\$ 2,586,977
Fund balance, beginning of year			4,122,436		
Fund balance, end of year			\$ 5,484,533		

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – CAPITAL PROJECTS FUND – UTILITY RESERVE

FROM INCEPTION AND YEAR ENDED JUNE 30, 2022

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ -	\$ 24,430	3,031	\$ 27,461	\$ 27,461
Total Revenues	<u>-</u>	<u>24,430</u>	<u>3,031</u>	<u>27,461</u>	<u>27,461</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues Under Expenditures	<u>\$ -</u>	<u>\$ 24,430</u>	3,031	<u>\$ 27,461</u>	<u>\$ 27,461</u>
Fund balance, beginning of year			<u>1,797,022</u>		
Fund balance, end of year			<u>\$ 1,800,053</u>		

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – SPECIAL REVENUE FUND – LAPP GRANTS

FROM INCEPTION AND YEAR ENDED JUNE 30, 2022

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:					
Contracted services	-	-	5,790	5,790	5,790
Total Expenditures	-	-	5,790	5,790	5,790
Revenues under expenditures	-	-	(5,790)	(5,790)	(5,790)
Other Financing Sources:					
Transfer from general fund	-	-	1,383,000	1,383,000	1,383,000
Transfer from capital project fund	-	-	473,000	473,000	473,000
Total Other Financing Sources	-	-	1,856,000	1,856,000	1,856,000
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,850,210	<u>\$ 1,850,210</u>	<u>\$ 1,850,210</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ 1,850,210</u>		

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET TO ACTUAL – SPECIAL REVENUE FUND – AMERICAN RESCUE PLAN ACT
GRANTS

FROM INCEPTION AND YEAR ENDED JUNE 30, 2022

	Project Authorization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total Revenues	\$ -	\$ -	\$ 2,408	\$ -	\$ -
Expenditures:					
Contracted services	-	-	-	-	-
Total Expenditures	-	-	-	-	-
Revenues under expenditures	-	-	2,408	-	-
Other Financing Sources:					
Transfer from general fund	-	-	-	-	-
Transfer from capital project fund	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,408	<u>\$ -</u>	<u>\$ -</u>
Fund balance, beginning of year			-		
Fund balance, end of year			<u>\$ 2,408</u>		

OTHER SCHEDULES

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

JUNE 30, 2022

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 2022	\$ -	\$ 6,413,144	\$ 6,404,582	\$ 8,562
2020 - 2021	15,629		10,349	5,280
2019 - 2020	6,855		3,396	3,459
2018 - 2019	2,165		147	2,018
2017 - 2018	486		72	414
2016 - 2017	653		12	641
2015 - 2016	225		11	214
2014 - 2015	415		-	415
2013 - 2014	2,206		-	2,206
2012 - 2013	2,938		-	2,938
2011 and prior	-		14	(14)
	<u>\$ 31,572</u>	<u>\$ 6,413,144</u>	<u>\$ 6,418,583</u>	<u>\$ 26,133</u>

Reconciliation with revenue:

Ad valorem taxes - General Fund	\$ 6,444,008
Reconciling items:	
Rebates, refunds, and collections fees to Wake County and NCDMV	<u>(25,425)</u>
Total Collections and Credits	<u>\$ 6,418,583</u>

TOWN OF ROLESVILLE, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY
TOWN-WIDE LEVY

YEAR ENDED JUNE 30, 2022

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Original levy:				
Property taxed at current	\$ 1,403,213,453	0.46	\$ 6,413,144	\$ 5,784,360	\$ 628,784
Registered motor vehicles taxes at prior year's rate	-		-	-	-
Total	\$ 1,403,213,453		6,413,144	5,784,360	628,784
Uncollected taxes at June 30, 2022			(8,562)	(8,562)	-
			\$ 6,404,582	\$ 5,775,798	\$ 628,784
Current year's taxes collected					
Current levy collection percentage			99.87%	99.85%	100.00%

COMPLIANCE SECTION

**Report of Independent Auditor on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and Members
of the Board of Commissioners
Town of Rolesville
Rolesville, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities and each major fund of the Town of Rolesville, North Carolina (the “Town”), as of and for the year ended June 30, 2022, and the related notes to the financial statement, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be a significant deficiency which is described in the accompanying schedule of findings and responses as item 2022-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town’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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2022

Town's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of 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 result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Raleigh, North Carolina
October 31, 2022

**TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED JUNE 30, 2022

SECTION I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness identified Yes No

- Significant deficiency identified that is not considered to be a material weakness Yes None reported

- Noncompliance material to financial statements noted Yes No

SECTION II – Financial Statement Findings

Significant Deficiency

Non-Material – Noncompliance

Finding 2022-001: Budgetary Violation

Criteria: N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the Budget Ordinance.

Condition: Expenditures over budget occurred in the General Fund for the Public Works department.

Effect: Expenditures were incurred that exceeded available budget.

Cause: The Town anticipated using American Rescue Plan Act (“ARPA”) funds to reimburse itself for a capital equipment acquisition. Those plans changed after the ARPA final rule was released and a corrective budget amendment was overlooked.

Recommendation: The budget should be monitored closely to ensure that appropriations are available before expenditures are incurred.

Management Response: Management agrees with this finding. Expenditures against the approved budget will continue to be monitored on a regular basis



CORRECTIVE ACTION PLAN

Nonmaterial Noncompliance

Finding 2022-001 Budget Violation

Name of Contact Person: Amy Stevens, Finance Director

Corrective Action: The Finance Director will initiate procedures to hold regular budget status reviews with Town departments.

Proposed Completion Date: This will be an ongoing process to improve the budgetary oversight and accuracy the financial reporting process.