

TOWN OF ROLESVILLE, NORTH CAROLINA

FINANCIAL STATEMENTS AND COMPLIANCE REPORT

As of and for the Year Ended June 30, 2025

And Reports of Independent Auditor

TOWN OF ROLESVILLE, NORTH CAROLINA

Mayor

Ronnie Currin

Mayor Pro-Tem

April Sneed

Commissioners

Dan Alston
Lenwood Long
Michael Paul
Paul Vilga

Town Manager

Eric Marsh

Town Clerk

Christina Yncian

Attorney

Dave Neill

TOWN OF ROLESVILLE, NORTH CAROLINA
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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, 2025, 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, 2025, 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 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, and other schedules, as listed in the table of contents, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2025 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
November 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

JUNE 30, 2025

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, 2025. 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

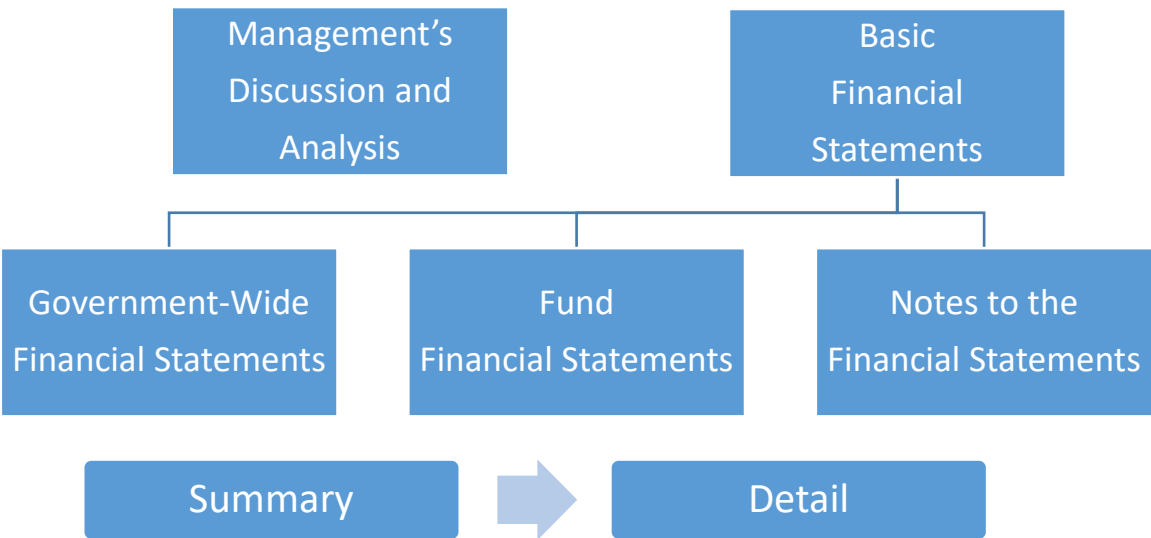
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$112,327,834 (net position).
- The government’s total net position increased by \$17,793,814, primarily due to an increase ad valorem taxes collected 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 \$35,068,466, an increase of \$3,878,790 in comparison with the prior year. Approximately 60.2% of this total amount, or \$21,093,928, is available for spending at the government’s discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,570,784 or 73.5% of total general fund expenditures for the fiscal year. This is an increase of \$1,692,202 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, 2025

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.

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 governmental 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.

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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 of Trustees (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.

Government-Wide Financial Analysis

The following summaries are provided for comparative analysis:

Net Position
Figure 2

| | Governmental Activities | |
|--|--------------------------------|----------------------|
| | 2025 | 2024 |
| Current and other assets | \$ 38,705,114 | \$ 34,160,284 |
| Capital assets | 88,786,134 | 74,892,683 |
| Deferred outflows of resources | 2,396,704 | 2,688,868 |
| Total Assets and Deferred Outflows of Resources | 129,887,952 | 111,741,835 |
| Other liabilities | 4,435,570 | 3,790,220 |
| Long-term liabilities outstanding | 12,080,263 | 12,317,382 |
| Deferred inflows of resources | 1,044,285 | 1,100,213 |
| Total Liabilities and Deferred inflows of Resources | 17,560,118 | 17,207,815 |
| Net Position: | | |
| Net investment in capital assets | 82,113,857 | 67,638,769 |
| Restricted | 2,716,019 | 2,184,606 |
| Unrestricted | 27,497,958 | 24,710,645 |
| Total Net Position | \$ 112,327,834 | \$ 94,534,020 |

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

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 exceeded liabilities and deferred inflows by \$112,327,834 as of June 30, 2025. The Town's net position increased by \$17,793,814 for the fiscal year ended June 30, 2025. However, the largest portion (73.1%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, equipment, lease assets, and subscription assets), less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$27,497,958 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 99.83%.
- Increased sales tax revenues, ad valorem taxes, building permits, and environmental protection fees due to economic growth in the Town.

Changes in Net Position
Figure 3

| | Governmental Activities | |
|------------------------------------|--------------------------------|---------------|
| | 2025 | 2024 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for services | \$ 4,640,416 | \$ 4,504,234 |
| Operating grants and contributions | 232,102 | 148,243 |
| Capital grants and contributions | 12,217,543 | 14,329,716 |
| General Revenues: | | |
| Property taxes | 9,992,096 | 7,435,658 |
| Other taxes | 4,731,345 | 4,335,309 |
| Other | 1,490,328 | 1,474,111 |
| Total Revenues | 33,303,830 | 32,227,271 |
| Expenses: | | |
| General government | 4,363,061 | 4,131,853 |
| Public safety | 5,024,863 | 4,923,529 |
| Environmental protection | 1,531,717 | 990,445 |
| Cultural and recreation | 168,500 | 813,409 |
| Public works | 4,277,229 | 2,896,779 |
| Interest on long-term debt | 144,646 | 336,313 |
| Total Expenses | 15,510,016 | 14,092,328 |
| Increase in net position | 17,793,814 | 18,134,943 |
| Net position, beginning of year | 94,534,020 | 76,399,077 |
| Net position | \$ 112,327,834 | \$ 94,534,020 |

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Governmental Activities – Governmental activities increased the Town's net position by \$17,793,814, which represents the entire growth in the net position of the Town. Key element of this increase is as follows:

- Ad valorem tax revenues increased approximately \$2.6 million over prior year.

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.

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 \$14,247,684 while total fund balance reached \$16,963,703. The Town currently has an available fund balance of 99.1% of general fund expenditures, while total fund balance represents 118% of the same amount.

At June 30, 2025, the governmental funds of the Town reported a combined fund balance of \$35,068,466 with a net increase in fund balance of \$3,878,790.

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. During fiscal year 2025, there was a total increase to the original budget of \$1,496,281 (\$122,725 from recognized revenues, \$500,000 from right-to-use proceeds, \$1,423,556 from appropriation of fund balance, and use of \$1,285,000 transfer to the capital projects fund). The additional appropriations from budget amendments during the year included additional grant revenue recognized for public safety grants, solid waste fees, investment earnings, and right-to-use proceeds from a new lease and subscription in the current year. The fund balance appropriations was for Powell Bill grant funding.

Revenues exceeded budget primarily due to investment earnings and sales taxes.

Expenditures were under final budget primarily due to change in supply change arrangement affecting the timing of transactions.

Capital Asset and Debt Administration

Capital Assets – The Town's investment in capital assets for its governmental activities as of June 30, 2025, totals \$88,786,134 (net of accumulated depreciation and amortization). These assets include buildings, roads, land, machinery and equipment, park facilities, vehicles, leased assets, and subscription assets. Major capital asset transactions during the year included the following:

- Right-to-use lease assets used in governmental activities increased due to new leases and renewals that began in the current year.
- Land assets used in governmental activities increased due to \$650,325 of donated land for streets and sidewalks in the current year.
- Construction in progress additions in the governmental activities totaled \$7,108,237 and included ongoing projects for street improvements, greenways, an amphitheater and vehicles and equipment.
- Building assets used in governmental activities increased by \$55,665 due to the completion of the Public Works Facility.
- Infrastructure assets increased by \$7,249,513 due to donated streets and sidewalks, as well as the completion of greenway assets.

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Capital Assets (Net of Depreciation and Amortization)
Figure 4

| | Governmental Activities | |
|---------------------------------------|--------------------------------|----------------------|
| | 2025 | 2024 |
| Right-to-use lease assets, net | \$ 174,620 | \$ 298,151 |
| Right-of-use subscription assets, net | 308,540 | 70,507 |
| Land | 15,625,815 | 14,975,490 |
| Construction in progress | 20,175,460 | 13,067,223 |
| Buildings and system | 5,425,805 | 5,614,894 |
| Improvements other than buildings | 1,232,076 | 1,337,450 |
| Equipment | 154,118 | 162,535 |
| Vehicles and motorized equipment | 1,534,143 | 714,203 |
| Infrastructure | 44,155,557 | 38,652,230 |
| | <u>\$ 88,786,134</u> | <u>\$ 74,892,683</u> |

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, 2025, the Town had no bonded debt outstanding. The Town had installment debt outstanding of \$6,210,000 which is collateralized by certain capital assets of the Town. As of June 30, 2024, the Town had installment debt outstanding of \$6,905,000.

The Town's total debt decreased by \$695,000 during the past fiscal year primarily due to the routine payments 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 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is \$201,232,916.

Additional information regarding the Town's long-term debt can be found in Note 5 of the basic financial statements.

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 remains strong. Building permit activity during the FY 2024–2025 period has remained steady as new subdivisions continue to progress through construction. Over the past several years, the Town has approved more than 2,500 new residential lots, ensuring a consistent pipeline of new home construction in the coming years.
- Two major commercial developments – Cobblestone and Wallbrook – are progressing well, with full build-out anticipated within the next 18 months. The 1.9-acre Cobblestone project will add over 50,000 square feet of commercial space to the downtown area, while Wallbrook, anchored by a Publix grocery store, will deliver approximately 265,000 square feet of new commercial space.
- Development interest in Rolesville remains strong. The Town is well-positioned to support continued growth with robust infrastructure, including water, sewer, natural gas, electricity, and roadway systems.

TOWN OF ROLESVILLE, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2025

Budget Highlights for the Fiscal Year Ending June 30, 2026

The Town's 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 2025-26 budget on preparing for the future population growth that is anticipated.

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

- The property tax rate remains at 40 cents per \$100 valuation, and the solid waste fee remained steady at \$25 per month. These levels are still anticipated to meet the inflationary demand and service level increases.
- 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 a 4.3% minimum pay adjustment based on recent pay study and up to 2% merit pay incentive at focal date in November. This will keep the Town's pay plan competitive with surrounding communities.
- Town staff continue to closely monitor inflationary effects on the acquisition of goods and services. Recent economic reports suggests that inflation is moderating at 2.9%.
- The Town Board completed a review of its five-year Capital Improvement Plan and has set a course to fund several buildings for the new Town Campus site. A portion of the property tax rate provides a stable source of long-term funds for this effort.
- The budget continues the Town's commitment for the implementation of the Main Street Vision Plan by continuing to fund the construction and implementation of these streetscape and road realignment projects.

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, 2025

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 1,626,475 |
| Investments | 32,886,358 |
| Taxes receivable, net | 115,280 |
| Accounts receivable, net | 1,693,720 |
| Due from other governments | 1,067,613 |
| Total Current Assets | <u>37,389,446</u> |
| Noncurrent Assets: | |
| Restricted cash and cash equivalents | 1,315,668 |
| Capital Assets: | |
| Land, nondepreciable improvements | 35,801,275 |
| Other capital assets, net of depreciation and amortization | 52,984,859 |
| Total Capital Assets | <u>88,786,134</u> |
| Total Assets | <u>127,491,248</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension deferrals - LGERS | 1,649,392 |
| Pension deferrals - LEO | 293,042 |
| OPEB deferrals | 454,270 |
| Total Deferred Outflows of Resources | <u>2,396,704</u> |
| Total Assets and Deferred Outflows of Resources | <u>129,887,952</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts and taxes payable | 3,596,239 |
| Current portion of long-term liabilities | 839,331 |
| Total Current Liabilities | <u>4,435,570</u> |
| Long-Term Liabilities: | |
| Net pension liability - LGERS | 2,960,517 |
| Total pension liability - LEO | 955,947 |
| Total OPEB liability | 1,851,414 |
| Notes payable | 5,515,000 |
| Compensated absences | 479,439 |
| Lease and subscription liabilities | 317,946 |
| Total Long-Term Liabilities | <u>12,080,263</u> |
| Total Liabilities | <u>16,515,833</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension deferrals - LGERS | 67,815 |
| Pension deferrals - LEO | 210,502 |
| OPEB deferrals | 765,968 |
| Total Deferred Inflows of Resources | <u>1,044,285</u> |
| Total Liabilities and Deferred Inflows of Resources | <u>17,560,118</u> |
| NET POSITION | |
| Net investment in capital assets | 82,113,857 |
| Restricted for: | |
| Stabilization by state statute | 1,400,351 |
| Streets - Powell Bill | 1,266,496 |
| Police funds | 49,172 |
| Unrestricted | 27,497,958 |
| Total Net Position | <u>\$ 112,327,834</u> |

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

TOWN OF ROLESVILLE, NORTH CAROLINA
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

| Functions/Program | Expenses | Program Revenues | | | Net (Expense) |
|--|----------------------|---------------------|-------------------|----------------------|---------------------------|
| | | Charges for | Operating | Capital Grants | Revenue and |
| | | Services | Grants | Contributions | Changes in |
| | | | | | Net Position |
| | | | | | Primary |
| | | | | | Government |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 4,363,061 | \$ 3,255,165 | \$ 232,102 | \$ - | \$ (875,794) |
| Public safety | 5,024,863 | - | - | - | (5,024,863) |
| Environmental protection | 1,531,717 | 1,123,622 | - | - | (408,095) |
| Cultural and recreation | 168,500 | 261,629 | - | - | 93,129 |
| Public works | 4,277,229 | - | - | 12,217,543 | 7,940,314 |
| Interest on long-term debt | 144,646 | - | - | - | (144,646) |
| Total Governmental Activities | <u>\$ 15,510,016</u> | <u>\$ 4,640,416</u> | <u>\$ 232,102</u> | <u>\$ 12,217,543</u> | <u>1,580,045</u> |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes, levied for general purpose | | | | | 9,992,096 |
| Other taxes | | | | | 4,731,345 |
| Unrestricted investment earnings | | | | | 1,463,585 |
| Miscellaneous | | | | | <u>26,743</u> |
| Total General Revenues | | | | | <u>16,213,769</u> |
| Change in net position | | | | | 17,793,814 |
| Net position, beginning of year | | | | | <u>94,534,020</u> |
| Net position, end of year | | | | | <u><u>112,327,834</u></u> |

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

FUND FINANCIAL STATEMENTS

TOWN OF ROLESVILLE, NORTH CAROLINA
BALANCE SHEET –
GOVERNMENTAL FUNDS

JUNE 30, 2025

| | Major Funds | | | | Total Governmental Funds |
|--|----------------------|-----------------------------|---------------------|---------------------|--------------------------------|
| | General | Capital Projects Fund | Utility Reserve | LAPP Grants | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 618,046 | \$ 194,864 | \$ - | \$ 813,565 | \$ 1,626,475 |
| Investments | 14,977,849 | 10,652,583 | 2,092,464 | 5,163,462 | 32,886,358 |
| Receivables: | | | | | |
| Taxes | 115,280 | - | - | - | 115,280 |
| Accounts | 217,458 | 153,601 | - | 1,322,661 | 1,693,720 |
| Due from other governments | 1,067,613 | - | - | - | 1,067,613 |
| Restricted cash and cash equivalents | 1,315,668 | - | - | - | 1,315,668 |
| Total Assets | <u>\$ 18,311,914</u> | <u>\$ 11,001,048</u> | <u>\$ 2,092,464</u> | <u>\$ 7,299,688</u> | <u>\$ 38,705,114</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and taxes payable | \$ 1,307,802 | \$ 174,840 | \$ - | \$ 2,113,597 | \$ 3,596,239 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable property taxes | 40,409 | - | - | - | 40,409 |
| FUND BALANCES | | | | | |
| Restricted: | | | | | |
| Stabilization by State Statute | 1,400,351 | - | - | - | 1,400,351 |
| Streets - Powell Bill | 1,266,496 | - | - | - | 1,266,496 |
| Police funds | 49,172 | - | - | - | 49,172 |
| Committed: | | | | | |
| Parks | - | 4,694,397 | - | - | 4,694,397 |
| Streets | - | 4,471,658 | - | - | 4,471,658 |
| Utility | - | - | 2,092,464 | - | 2,092,464 |
| Assigned: | | | | | |
| Subsequent Year | 265,000 | - | - | - | 265,000 |
| Future Capital Projects | 3,411,900 | 1,660,153 | - | 5,186,091 | 10,258,144 |
| Unassigned | 10,570,784 | - | - | - | 10,570,784 |
| Total Fund Balances | <u>16,963,703</u> | <u>10,826,208</u> | <u>2,092,464</u> | <u>5,186,091</u> | <u>35,068,466</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 18,311,914</u> | <u>\$ 11,001,048</u> | <u>\$ 2,092,464</u> | <u>\$ 7,299,688</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 | 88,786,134 |
| Net pension liability | (2,960,517) |
| Total pension liability | (955,947) |
| Total OPEB liability | (1,851,414) |
| Deferred outflows of resources related to OPEB and pensions are deferred outflows of resources on the statement of net position | 2,396,704 |
| Liabilities for unavailable revenues considered deferred inflows of resources in fund statements | 40,409 |
| 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 | (7,151,716) |
| Deferred inflows of resources related to OPEB and pensions | (1,044,285) |
| Net Position of Governmental Activities | <u>\$ 112,327,834</u> |

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

TOWN OF ROLESVILLE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2025*

| | Major Funds | | | | Total Governmental Funds |
|--------------------------------------|--------------------|--------------------------------------|----------------------------|------------------------|---|
| | General | Capital Projects Fund | Utility Reserve | LAPP Grants | |
| Revenues: | | | | | |
| Ad valorem taxes | \$ 9,979,325 | \$ - | \$ - | \$ - | \$ 9,979,325 |
| Other taxes | 3,624,139 | - | - | - | 3,624,139 |
| Unrestricted intergovernmental | 1,107,206 | - | - | - | 1,107,206 |
| Restricted intergovernmental | 614,637 | - | - | 3,977,483 | 4,592,120 |
| Permits and fees | 823,413 | 2,431,752 | - | - | 3,255,165 |
| Sales and services | 1,385,251 | - | - | - | 1,385,251 |
| Investment earnings | 699,971 | 443,509 | 92,916 | 227,189 | 1,463,585 |
| Miscellaneous | 26,743 | - | - | - | 26,743 |
| Total Revenues | 18,260,685 | 2,875,261 | 92,916 | 4,204,672 | 25,433,534 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 4,107,309 | - | - | - | 4,107,309 |
| Public safety | 5,547,075 | - | - | - | 5,547,075 |
| Culture and recreation | 1,270,068 | - | - | - | 1,270,068 |
| Environmental protection | 1,531,717 | - | - | - | 1,531,717 |
| Public works | 1,093,740 | 2,152,076 | - | 5,142,764 | 8,388,580 |
| Debt Service: | | | | | |
| Principal | 697,839 | 215,000 | - | - | 912,839 |
| Interest and other charges | 125,468 | 19,178 | - | - | 144,646 |
| Total Expenditures | 14,373,216 | 2,386,254 | - | 5,142,764 | 21,902,234 |
| Revenues Over (Under) Expenditures | 3,887,469 | 489,007 | 92,916 | (938,092) | 3,531,300 |
| Other Financing Sources (Uses): | | | | | |
| Leases and subscriptions issued | 347,490 | - | - | - | 347,490 |
| Transfers Out | (1,285,000) | - | - | - | (1,285,000) |
| Transfers In | - | 1,285,000 | - | - | 1,285,000 |
| Total Other Financing Sources (Uses) | (937,510) | 1,285,000 | - | - | 347,490 |
| Net change in fund balance | 2,949,959 | 1,774,007 | 92,916 | (938,092) | 3,878,790 |
| Fund balances, beginning of year | 14,013,744 | 9,052,201 | 1,999,548 | 6,124,183 | 31,189,676 |
| Fund balances, end of year | \$ 16,963,703 | \$ 10,826,208 | \$ 2,092,464 | \$ 5,186,091 | \$ 35,068,466 |

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

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

YEAR ENDED JUNE 30, 2025

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

Net changes in fund balances - total governmental funds \$ 3,878,790

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 | \$ 8,877,741 | |
| Depreciation | (2,625,115) | |
| Amortization | <u>(216,700)</u> | 6,035,926 |

| | |
|--|-----------|
| Land and infrastructure contributed by developers is considered capital contributions for the statement of activities, but is not reported in the funds. | 7,857,525 |
|--|-----------|

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 | 12,771 |
|---|--------|

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.

| | | |
|---------------------------------|------------------|----------------|
| Notes payable | 695,000 | |
| Lease and subscription payments | 217,839 | |
| Lease and subscription proceeds | <u>(331,202)</u> | <u>581,637</u> |

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 | (156,289) | |
| Pension expense - LGERS | (249,426) | |
| Pension expense - LEO | (97,030) | |
| Other postemployment benefits | <u>(70,090)</u> | <u>(572,835)</u> |

| | |
|--|-----------------------------|
| Total Changes in Net Position of Governmental Activities | <u><u>\$ 17,793,814</u></u> |
|--|-----------------------------|

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

TOWN OF ROLESVILLE, NORTH CAROLINA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND***YEAR ENDED JUNE 30, 2025*

| | General Fund | | | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|---------------------|--------------|---------------------------|---|
| | Original | Final | Actual Amounts | |
| Revenues: | | | | |
| Ad valorem taxes | \$ 9,759,000 | \$ 9,759,000 | \$ 9,979,325 | \$ 220,325 |
| Other taxes | 3,360,000 | 3,360,000 | 3,624,139 | 264,139 |
| Unrestricted intergovernmental | 994,100 | 994,100 | 1,107,206 | 113,106 |
| Restricted intergovernmental | 523,050 | 542,025 | 614,637 | 72,612 |
| Permits and fees | 580,000 | 683,750 | 823,413 | 139,663 |
| Sales and services | 1,406,600 | 1,406,600 | 1,385,251 | (21,349) |
| Investment earnings | 330,000 | 330,000 | 699,971 | 369,971 |
| Miscellaneous | 24,000 | 24,000 | 26,743 | 2,743 |
| Total Revenues | 16,976,750 | 17,099,475 | 18,260,685 | 1,161,210 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,245,040 | 6,428,850 | 4,107,309 | 2,321,541 |
| Public safety | 5,931,260 | 6,045,840 | 5,547,075 | 498,765 |
| Culture and recreation | 1,355,000 | 1,367,745 | 1,270,068 | 97,677 |
| Environmental protection | 1,036,000 | 1,567,750 | 1,531,717 | 36,033 |
| Public works | 1,228,750 | 1,382,146 | 1,093,740 | 288,406 |
| Debt Service: | | | | |
| Principal | 480,000 | 980,000 | 697,839 | 282,161 |
| Interest and other charges | 215,200 | 215,200 | 125,468 | 89,732 |
| Total Expenditures | 16,491,250 | 17,987,531 | 14,373,216 | 3,614,315 |
| Revenues Over (Under) Expenditures | 485,500 | (888,056) | 3,887,469 | 4,775,525 |
| Other Financing Sources (Uses): | | | | |
| Leases and subscriptions issued | - | 500,000 | 347,490 | (152,510) |
| Transfers to capital projects fund | (735,000) | (1,285,000) | (1,285,000) | - |
| Appropriated fund balance | 249,500 | 1,673,056 | - | (1,673,056) |
| Total Other Financing Sources (Uses) | (485,500) | 888,056 | (937,510) | (1,825,566) |
| Net change in fund balance | \$ - | \$ - | 2,949,959 | \$ 2,949,959 |
| Fund balances, beginning of year | | | 14,013,744 | |
| Fund balances, end of year | | | \$ 16,963,703 | |

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

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies

The accounting policies of the Town of Rolesville (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* –

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.

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:

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.

Capital Projects Fund – This fund is used for the acquisition or construction of capital projects.

Utility Reserve Fund – This fund is used for the acquisition or construction of water and wastewater projects.

LAPP Grants Fund – This fund is used for the acquisition or construction of capital grants that are completed using significant federal grants.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

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.

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. The State of North Carolina (the "State") 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, 2022 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 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 received for which eligibility requirements have not been met at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

3. *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. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Capital Projects Fund and Special Revenue Fund – LAPP Grants. 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 \$50,000; however, any revisions that alter the total expenditures of any fund or exceed \$50,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance –

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. 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 six 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 | \$ 1,266,496 |
| Police Funds | 49,172 |
| | <u>\$ 1,315,668</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 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 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 THE FINANCIAL STATEMENTS

JUNE 30, 2025

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. General infrastructure assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives 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 |

The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease or subscription liability plus any payments made prior to the term, less incentives, and plus ancillary charges necessary to place the underlying asset into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease or subscription.

7. *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 assets that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has four items that meet this criterion: pension plan deferrals, special separation allowance deferrals, Law Enforcement Officers deferrals, and other postemployment 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 assets that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category: unavailable property taxes, pension plan deferrals, special separation allowance deferrals, and other postemployment benefit obligation deferrals.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

8. *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.

9. *Compensated Absences* – The vacation policy of the Town provides for the accumulation of up to 30 days earned vacation leave. An accrual is made for compensated absences that are attributable to services have already been rendered by employees, that accumulates and is carried over to the next reporting period and is more likely than not to be used for time off or settled in cash or non-cash form.

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. The Town has estimated a liability for the value of sick leave that, more likely than not, will be used as time off by employees; this amount is included in the liability for compensated absences. 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.

10. *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.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

- 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.
 - *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 Streets* – Portion of fund balance that the Town has committed to street projects.
 - *Committed for Utility* – Portion of fund balance that the Town has committed to utility projects.
- d. *Assigned Fund Balance* – Portion of fund balance the Town intends to use for specific purposes.
- *Assigned Subsequent Year* – Portion of fund balance that has been budgeted by the Board for specific purposes in the following year.
 - *Assigned Future Capital Projects* – Portion of fund balance that has been budgeted by the Board for future capital project needs.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 1—Summary of significant accounting policies (continued)

- e. *Unassigned Fund Balance* – Portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town 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.

- 11. *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 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.

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.

- 12. *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.
- 13. *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.
- 14. *Adoption of a New Accounting Statement* – For fiscal year 2025, the Town implemented Governmental Accounting Standards Board's Statement 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences, aligning that guidance under a unified model, and amending certain previously required disclosures. The unified recognition and measurement model in this statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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.

At June 30, 2025, the Town's deposits had a carrying amount of \$1,623,373 and a bank balance of \$1,948,659. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. At June 30, 2025, the Town's petty cash totaled \$1,551.

2. *Investments* – At June 30, 2025, the Town had \$34,203,577 invested with the North Carolina Capital Management Trust's Government Portfolio, which carried a credit rating of AAAM by Standard & 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 N.C. Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's as of June 30, 2025.

3. *Receivables* – Accounts receivable consists of amounts due for sales tax, utility sales tax, permits, and recreation registration fees.

No allowance for doubtful accounts has been established.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

4. *Capital Assets* –

Capital asset activity for the year ended June 30, 2025 was as follows:

| | Balance July 1, 2024 | Increases | Decreases | Balance June 30, 2025 |
|--|-------------------------|----------------------|-------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,975,490 | \$ 650,325 | \$ - | \$ 15,625,815 |
| Construction in progress | 13,067,223 | 7,108,237 | - | 20,175,460 |
| Total capital assets not being depreciated | 28,042,713 | 7,758,562 | - | 35,801,275 |
| Capital assets being depreciated and amortized: | | | | |
| Buildings | 6,115,258 | 55,665 | - | 6,170,923 |
| Other improvements | 2,751,695 | 5,265 | - | 2,756,960 |
| Furniture and equipment | 885,429 | 59,969 | - | 945,398 |
| Vehicles and motorized equipment | 2,009,285 | 1,275,090 | - | 3,284,375 |
| Infrastructure | 52,866,685 | 7,249,513 | - | 60,116,198 |
| Right-to-use - equipment | 361,738 | 6,209 | 71,169 | 296,778 |
| Right-to-use - building | 264,048 | - | 264,048 | - |
| Right-to-use - subscription | 137,061 | 324,993 | 31,427 | 430,627 |
| Total capital assets being depreciated | 65,391,199 | 8,976,704 | 366,644 | 74,001,259 |
| Less accumulated depreciation for and amortization for: | | | | |
| Buildings | 500,364 | 244,754 | - | 745,118 |
| Other improvements | 1,414,245 | 110,639 | - | 1,524,884 |
| Equipment | 722,894 | 68,386 | - | 791,280 |
| Vehicles and motorized equipment | 1,295,082 | 455,150 | - | 1,750,232 |
| Infrastructure | 14,214,455 | 1,746,186 | - | 15,960,641 |
| Right-to-use - equipment | 129,599 | 63,728 | 71,169 | 122,158 |
| Right-to-use - building | 198,036 | 66,012 | 264,048 | - |
| Right-to-use - subscription | 66,554 | 86,960 | 31,427 | 122,087 |
| Total accumulated depreciation and amortization | 18,541,229 | 2,841,815 | 366,644 | 21,016,400 |
| Total capital assets being depreciated and amortized, net | 46,849,970 | 6,134,889 | - | 52,984,859 |
| Governmental activities capital assets, net | \$ 74,892,683 | \$ 13,893,451 | \$ - | \$ 88,786,134 |

Included in above infrastructure additions in the current year is \$7,857,525 in land and infrastructure contributed by developers that is considered capital contributions in the statement of activities but not reported in the funds.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 | \$ 153,515 |
| Public safety | 425,949 |
| Public Works | 2,137,870 |
| Cultural and recreational | 124,481 |
| | <u>\$ 2,841,815</u> |

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System:

Plan Description – The Town is a participating employer in the statewide Local Governmental Employees' Retirement System ("LGERS"), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers ("LEO") of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. 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 postretirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

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

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.

Contributions – Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2025 was 14.41% of compensation for law enforcement officers and 16.08% 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 were \$656,317 for the year ended June 30, 2025.

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, 2025, the Town reported a liability of \$2,960,517 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2024 (measurement date), the Town's proportion was 0.04391%, which was a decrease of 0.00042% from its proportion measured as of June 30, 2023.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

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

For the year ended June 30, 2025, the Town recognized pension expense of \$905,744. At June 30, 2025, 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 | \$ 518,795 | \$ 3,488 |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | 402,481 | - |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 71,799 | 64,327 |
| Town contributions subsequent to the measurement date | 656,317 | - |
| | <u>\$ 1,649,392</u> | <u>\$ 67,815</u> |

\$656,317 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30

| | |
|------|-------------------|
| 2026 | \$ 302,541 |
| 2027 | 583,049 |
| 2028 | 85,177 |
| 2029 | (45,507) |
| | <u>\$ 925,260</u> |

Actuarial Assumptions – The total pension liability in the December 31, 2023 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

1. Pension Plan Obligations (continued)

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the 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, 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|-------------------|--|
| Fixed Income | 33.0% | 2.4% |
| Global Equity | 38.0% | 6.9% |
| Real Estate | 8.0% | 6.0% |
| Alternatives | 8.0% | 8.6% |
| Opportunistic Fixed Income | 7.0% | 5.3% |
| Inflation Sensitive | 6.0% | 4.3% |
| | 100.0% | |

The information above is based on 30-year expectations developed with the consulting actuary for the asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figure. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. 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 THE FINANCIAL STATEMENTS

JUNE 30, 2025

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:

| | 1% Decrease (5.50%) | Discount Rate (6.50%) | 1% Increase (7.50%) |
|---|------------------------|--------------------------|------------------------|
| Town's proportionate share of the net pension liability | \$ 5,246,123 | \$ 2,960,517 | \$ 1,080,292 |

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

b. Law Enforcement Officer's Special Separation Allowance:

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

All full-time law enforcement officers of the Town are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance's membership consisted of:

| | Law Enforcement Officers |
|--|--------------------------------|
| Retirees and dependents receiving benefits | 0 |
| Active plan members | 22 |
| | 22 |

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 THE FINANCIAL STATEMENTS

JUNE 30, 2025

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, 2023 valuation. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Discount rate | 4.28% |
| Inflation | 2.50% |
| Salary increases | 3.25% to 7.75%, including inflation and productivity factor |

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 Pub-2010 amount weighted tables with adjustments for mortality improvements based on MP-2019.

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, 2025, the town reported a total pension liability of \$955,947. The total pension liability was measured as of December 31, 2024 based on a December 31, 2023 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2024 utilizing update procedures incorporation the actuarial assumptions. For the year ended June 30, 2025, the Town recognized pension expense of \$106,189.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 175,158 | \$ 79,805 |
| Changes of assumptions and other inputs | 117,884 | 130,697 |
| | <u>\$ 293,042</u> | <u>\$ 210,502</u> |

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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:

Years Ending June 30

| | | |
|------------|----|---------------|
| 2026 | \$ | 40,412 |
| 2027 | | 32,243 |
| 2028 | | 16,206 |
| 2029 | | (11,305) |
| 2030 | | 309 |
| Thereafter | | 4,675 |
| | \$ | <u>82,540</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 4.28%, 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 (3.28%) or one percentage point higher (5.28%) than the current rate:

| | <u>1% Decrease (3.28%)</u> | <u>Discount Rate (4.28%)</u> | <u>1% Increase (5.28%)</u> |
|---|---------------------------------------|---|---------------------------------------|
| Town's proportionate share of the net pension liability | \$ 1,036,729 | \$ 955,947 | \$ 881,462 |

Schedule of Changes in Total Pension Liability
Law Enforcement Officer's Special Separation Allowance
June 30, 2025

| | |
|---|-------------------|
| Beginning balance | \$ 841,953 |
| Service cost | 48,100 |
| Interest on the total pension liability | 33,495 |
| Difference between expected and actual experience | 63,533 |
| Changes in assumptions or other inputs | (21,975) |
| Benefit payments | (9,159) |
| Net change | 113,994 |
| Ending balance of the total pension liability | <u>\$ 955,947</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, 2023 valuation were based on the results of an experience study completed by the Actuary for the Local Governmental Employees' Retirement System for the five-year period ending December 31, 2019.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 | \$ 905,744 | \$ 106,189 | \$ 1,011,933 |
| Pension liability | 2,960,517 | 955,947 | 3,916,464 |
| Proportionate share of the net pension liability | 0.04391% | N/A | |
| Deferred of outflows of resources: | | | |
| Differences between expected and actual experience | 518,795 | 175,158 | 693,953 |
| Changes of assumptions | - | 117,884 | 117,884 |
| Net difference between projected and actual earnings on plan investments | 402,481 | - | 402,481 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 71,799 | - | 71,799 |
| Benefit payments and administrative costs paid subsequent to the measurement date | 656,317 | - | 656,317 |
| Total | <u>\$ 1,649,392</u> | <u>\$ 293,042</u> | <u>\$ 1,942,434</u> |
| Deferred of inflows of resources: | | | |
| Differences between expected and actual experience | \$ 3,488 | \$ 79,805 | \$ 83,293 |
| Changes of assumptions | - | 130,697 | 130,697 |
| Net difference between projected and actual earnings on plan investments | - | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 64,327 | - | 64,327 |
| Total | <u>\$ 67,815</u> | <u>\$ 210,502</u> | <u>\$ 278,317</u> |

c. Supplemental Retirement Income Plan:

Plan Description – The Town contributes to the Supplemental Retirement Income Plan (the “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 THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 5% 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, 2025, were \$333,606 which consisted of \$227,244 from the Town and \$106,362 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 11 years of service. The Town pays 100% of premiums for employees retiring at age 55 or later who have at least 15 years of service. At age 65, the Town subsidizes a Medicare supplement. The Town obtains healthcare 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, 2023, the date of the latest actuarial valuation:

| | |
|-----------------------------|-------|
| Retirees receiving benefits | 4 |
| Active plan members | 43 |
| | <hr/> |
| | 47 |
| | <hr/> |

Total OPEB Liability:

The Town's total OPEB liability of \$1,851,414 was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2023 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 | 3.93% |
| Healthcare cost trend rates | |
| Pre-Medicare | 7.00% for 2023 decreasing to an ultimate rate of 4.50% by 2033 |
| Medicare | 5.125% for 2023 decreasing to an ultimate rate of 4.50% by 2026 |

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

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 June 30, 2024 | \$ 1,809,468 |
| Changes for the year: | |
| Service cost | 94,933 |
| Interest | 69,035 |
| Differences between expected and actual experience | (2,419) |
| Changes in assumptions or other inputs | (93,295) |
| Benefit payments | (26,308) |
| Net changes | 41,946 |
| Balance at June 30, 2025 | \$ 1,851,414 |

Changes in assumptions and other inputs reflect a change in the discount rate from 3.65% to 3.93%.

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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019, adopted by the LGERS Board.

The remaining actuarial assumptions (e.g., initial per capita costs, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2023 valuation were based on a review of recent plan experience done concurrently with the June 30, 2023 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 (2.93%) or one percentage point higher (4.93%) than the current discount rate:

| | 1% Decrease (2.93%) | Discount Rate (3.93%) | 1% Increase (4.93%) |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB liability | \$ 2,216,457 | \$ 1,851,414 | \$ 1,564,816 |

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (continued)

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:

| | | Current Discount Rate | |
|----------------------|--|--|--|
| | Pre-Medicare 6.00% Medicare 2.93% | Pre-Medicare 7.00% Medicare 3.93% | Pre-Medicare 8.00% Medicare 4.93% |
| Total OPEB liability | \$ 1,516,445 | \$ 1,851,414 | \$ 2,289,220 |

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

For the year ended June 30, 2025, the Town recognized OPEB expense of \$92,014. At June 30, 2025, 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 | \$ 103,986 | \$ 268,856 |
| Changes of assumptions | 328,360 | 497,112 |
| Benefit payments and administrative costs made subsequent to the measurement | 21,924 | - |
| | \$ 454,270 | \$ 765,968 |

\$21,924 reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the OPEB liability in the year ended June 30, 2026.

TOWN OF ROLESVILLE, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 2—Detail notes on all funds (continued)

2. Other Postemployment Benefit (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> | |
|-----------------------------|---------------------|
| 2026 | \$ (71,954) |
| 2027 | (71,954) |
| 2028 | (59,805) |
| 2029 | (48,037) |
| 2030 | (31,242) |
| Thereafter | (50,630) |
| | <u>\$ (333,622)</u> |

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 postemployment 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—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.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 4—Risk management (continued)

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 is bonded for \$1,000,000. The remaining employees that have access to funds are covered under an employee dishonesty declaration for \$15,000 per occurrence.

Note 5—Long-term obligations

- A. *Leases* – The Town has entered into seven leasing arrangements for equipment and a building. The lease liabilities have varying lease terms ranging from 26 months to 60 months with interest rates ranging from 0.85% to 2.96%.

Principal and Interest Requirements to Maturity:

| Fiscal Years | Governmental Activities | | |
|--------------|-------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2026 | \$ 54,333 | \$ 3,843 | \$ 58,176 |
| 2027 | 53,720 | 2,481 | 56,201 |
| 2028 | 52,333 | 1,094 | 53,427 |
| 2029 | 1,307 | 31 | 1,338 |
| 2030 | 333 | 2 | 335 |
| Total | \$ 162,026 | \$ 7,451 | \$ 169,477 |

- B. *Subscriptions* – The Town has entered into nine software subscription agreements under varying terms ranging from 23 months to 65 months and interest rates ranging from 1.71% to 3.07%.

| Fiscal Years | Governmental Activities | | |
|--------------|-------------------------|-------------------|----------------|
| | Principal Payments | Interest Payments | Total Payments |
| 2026 | \$ 89,998 | \$ 6,466 | \$ 96,464 |
| 2027 | 84,771 | 4,598 | 89,369 |
| 2028 | 55,387 | 2,586 | 57,973 |
| 2029 | 34,696 | 1,419 | 36,115 |
| 2030 | 35,399 | 716 | 36,115 |
| Total | \$ 300,251 | \$ 15,785 | \$ 316,036 |

- C. *Notes Payable* – In December 2015, the Town entered into a loan agreement with Truist Bank to finance the purchase of the town hall building. The note payable to Truist has a balance at June 30, 2025 of \$570,000 due in annual installments of \$95,000 plus interest at 2.77%. A final payment of all outstanding principal and interest is due in December 2030. The loan is secured by the property.

In October 2017, the Town entered into a loan agreement with Truist Bank to finance the purchase of a lot. The note payable to Truist has a balance due at June 30, 2025 of \$645,000 due in annual installments of \$215,000 plus interest at 2.23%. A final payment of all outstanding principal and interest is due in September 2027. The loan is secured by the property.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 5—Long-term obligations (continued)

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, 2025 of \$960,000 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 December 2022, the Town entered into a loan agreement with Truist Bank to finance the purchase of the Public Works facility. The note payable to Truist has a balance at June 30, 2025 of \$4,035,000 due in annual installments of \$225,000 plus interest at 4.20%. A final payment of all outstanding principal and interest is due in December 2042. The loan is secured by the property.

C. Changes in Long-Term Liabilities

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

| Fiscal Years Ending June 30 | Governmental Activities | |
|------------------------------------|--------------------------------|---------------------|
| | Principal | Interest |
| 2026 | \$ 695,000 | \$ 214,640 |
| 2027 | 695,000 | 195,156 |
| 2028 | 695,000 | 175,197 |
| 2029 | 479,000 | 156,188 |
| 2030 | 479,000 | 141,541 |
| 2031-2035 | 1,375,000 | 522,119 |
| 2036-2040 | 1,120,000 | 282,240 |
| 2041-2043 | 672,000 | 56,448 |
| | <u>\$ 6,210,000</u> | <u>\$ 1,743,529</u> |

At June 30, 2025, the Town had no bonds authorized but unissued and a legal debt margin of \$201,232,916.

| | Balance July 1, 2024 | Increases | Decreases | Balance June 30, 2025 | Current Portion of Balance |
|--|---------------------------------|-------------------|-------------------|----------------------------------|---|
| Governmental activities: | | | | | |
| Notes payable | \$ 6,905,000 | \$ - | \$ 695,000 | \$ 6,210,000 | \$ 695,000 |
| Compensated absences* | 323,150 | 156,289 | - | 479,439 | - |
| Lease liability | 277,651 | 6,209 | 121,834 | 162,026 | 54,333 |
| Subscription liability | 71,263 | 324,993 | 96,005 | 300,251 | 89,998 |
| Total OPEB liability | 1,809,468 | 41,946 | - | 1,851,414 | - |
| Net pension liability (LGERS) | 2,936,147 | 24,370 | - | 2,960,517 | - |
| Total pension liability (LEO) | 841,953 | 113,994 | - | 955,947 | - |
| Governmental activities long-term liabilities | <u>\$ 13,164,632</u> | <u>\$ 667,801</u> | <u>\$ 912,839</u> | <u>\$ 12,919,594</u> | <u>\$ 839,331</u> |

*The change in compensated absences for fiscal year 2025 is a net change for the year.

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

Note 6—Fund balance

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 | \$ 16,963,703 |
| Less: | |
| Stabilization by State statute | 1,400,351 |
| Streets - Powell Bill | 1,266,496 |
| Police funds | 49,172 |
| Assigned - subsequent years | 265,000 |
| Assigned - future capital | 3,411,900 |
| Remaining fund balance | <u>\$ 10,570,784</u> |

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 November 3, 2025, 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 SEVEN FISCAL YEARS*

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability: | | | | | | | |
| Service costs | \$ 94,933 | \$ 95,562 | \$ 136,649 | \$ 138,875 | \$ 90,922 | \$ 98,320 | \$ 104,609 |
| Interest on the total pension liability | 69,035 | 57,812 | 43,558 | 45,635 | 49,274 | 52,735 | 46,761 |
| Changes in benefit terms | - | - | - | - | - | (5,101) | - |
| Differences between expected and actual experience | (2,419) | 131,682 | (4,562) | (369,747) | 4,876 | (142,330) | 279 |
| Changes of assumptions | (93,295) | 1,250 | (498,037) | 151,469 | 478,190 | (29,268) | (100,894) |
| Net benefit payments | (26,308) | (28,500) | (11,641) | (13,087) | (15,121) | (11,097) | (6,179) |
| Net Change in Total OPEB Liability | 41,946 | 257,806 | (334,033) | (46,855) | 608,141 | (36,741) | 44,576 |
| Total OPEB liability, beginning of year | 1,809,468 | 1,551,662 | 1,885,695 | 1,932,550 | 1,324,409 | 1,361,150 | 1,316,574 |
| Total OPEB liability, end of year | <u>\$ 1,851,414</u> | <u>\$ 1,809,468</u> | <u>\$ 1,551,662</u> | <u>\$ 1,885,695</u> | <u>\$ 1,932,550</u> | <u>\$ 1,324,409</u> | <u>\$ 1,361,150</u> |
| Covered payroll | \$ 3,023,930 | \$ 3,023,930 | \$ 2,613,477 | \$ 2,613,477 | \$ 2,246,937 | \$ 2,246,937 | \$ 1,597,230 |
| Total OPEB liability as a percentage of covered payroll | 61.23% | 59.84% | 59.37% | 72.15% | 86.01% | 58.94% | 85.22% |

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:

| Fiscal Years | Rate |
|--------------|-------|
| 2025 | 3.93% |
| 2024 | 3.65% |
| 2023 | 3.54% |
| 2022 | 2.16% |
| 2021 | 2.21% |
| 2020 | 3.50% |
| 2019 | 3.89% |
| 2018 | 3.56% |

*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 TEN FISCAL YEARS

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Rolesville's proportion of the net pension liability (asset) (%) | 0.04391% | 0.04433% | 0.04104% | 0.03708% | 0.03845% | 0.03518% | 0.02976% | 0.03041% | 0.03199% | 0.02505% |
| Rolesville's proportion of the net pension liability (asset) (\$) | \$ 2,960,517 | \$ 2,936,147 | \$ 2,315,242 | \$ 568,657 | \$ 1,373,982 | \$ 960,738 | \$ 706,009 | \$ 464,581 | \$ 678,935 | \$ 112,423 |
| Rolesville's covered-employee payroll | \$ 3,735,321 | \$ 3,284,672 | \$ 2,901,906 | \$ 2,569,358 | \$ 2,440,998 | \$ 2,128,329 | \$ 1,759,967 | \$ 1,672,632 | \$ 1,533,212 | \$ 1,317,493 |
| Rolesville's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 79.26% | 89.39% | 79.78% | 22.13% | 56.29% | 45.14% | 40.11% | 27.78% | 44.28% | 8.53% |
| Plan fiduciary net position as a percentage of the total pension liability** | 83.30% | 82.49% | 84.14% | 95.51% | 88.61% | 90.86% | 94.00% | 94.18% | 91.47% | 98.09% |

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

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

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

LAST TEN FISCAL YEARS

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 656,317 | \$ 519,146 | \$ 414,001 | \$ 340,773 | \$ 271,192 | \$ 229,365 | \$ 174,085 | \$ 139,968 | \$ 128,443 | \$ 106,508 |
| Contributions in relation to the contractually required contribution | 656,317 | 519,146 | 414,001 | 340,773 | 271,192 | 229,365 | 174,085 | 139,968 | 128,443 | 106,508 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Rolesville's covered-employee payroll | \$ 4,446,404 | \$ 3,735,321 | \$ 3,284,672 | \$ 2,901,906 | \$ 2,569,358 | \$ 2,440,998 | \$ 2,128,329 | \$ 1,759,967 | \$ 1,672,632 | \$ 1,533,212 |
| Contributions as a percentage of covered-employee payroll | 14.76% | 13.90% | 12.60% | 11.74% | 10.55% | 9.40% | 8.18% | 7.95% | 7.68% | 6.95% |

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

*LAST SEVEN FISCAL YEARS**

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning balance | \$ 841,953 | \$ 793,831 | \$ 745,544 | \$ 795,332 | \$ 374,857 | \$ 280,368 | \$ 382,809 |
| Service cost | 48,100 | 40,077 | 57,581 | 52,135 | 35,532 | 25,091 | 22,743 |
| Interest on the total pension liability | 33,495 | 34,214 | 16,775 | 15,350 | 12,220 | 10,205 | 12,097 |
| Difference between expected and actual experience | 63,533 | (47,381) | 140,442 | (94,208) | 84,333 | 45,097 | (124,211) |
| Changes in assumptions or other inputs | (21,975) | 21,212 | (166,511) | (23,065) | 288,390 | 14,096 | (13,070) |
| Net benefit payments | (9,159) | - | - | - | - | - | - |
| Ending Balance of the Total Pension Liability | <u>\$ 955,947</u> | <u>\$ 841,953</u> | <u>\$ 793,831</u> | <u>\$ 745,544</u> | <u>\$ 795,332</u> | <u>\$ 374,857</u> | <u>\$ 280,368</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 changes in the discount rate of each period.

| Fiscal Years | Rate |
|---------------------|-------------|
| 2025 | 4.28% |
| 2024 | 4.00% |
| 2023 | 4.31% |
| 2022 | 2.25% |
| 2021 | 1.93% |
| 2020 | 3.26% |

The Town of Rolesville has no assets accumulated in a trust that meets the criteria established by GAAP.

*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 EIGHT FISCAL YEARS**

| | <u>2025</u> | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Total pension liability | \$ 955,947 | \$ 841,953 | \$ 793,831 | \$ 745,332 | \$ 765,332 | \$ 374,857 | \$ 280,368 | \$ 382,809 |
| Covered payroll | \$ 1,699,894 | \$ 1,475,698 | \$ 1,458,307 | \$ 1,248,765 | \$ 1,380,024 | \$ 1,101,978 | \$ 1,035,648 | \$ 969,967 |
| Total pension liability as a percentage of covered payroll | 56.24% | 57.05% | 54.44% | 59.69% | 55.46% | 34.02% | 27.07% | 39.47% |

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 AND ACTUAL – GENERAL FUND***YEAR ENDED JUNE 30, 2025*

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|---------------|---------------|---|
| Revenues: | | | |
| Ad Valorem Taxes: | | | |
| Current and prior years | \$ 9,759,000 | \$ 9,979,325 | \$ 220,325 |
| Other Taxes and Licenses: | | | |
| Wake County sales tax | | 3,624,139 | |
| Total Other Taxes and Licenses | 3,360,000 | 3,624,139 | 264,139 |
| Unrestricted Intergovernmental: | | | |
| Franchise tax | | 702,465 | |
| Beer and wine | | 44,941 | |
| Wake County ABC revenue | | 45,512 | |
| Motor vehicle tax | | 288,230 | |
| Other intergovernmental | | 26,058 | |
| Total Unrestricted Intergovernmental | 994,100 | 1,107,206 | 113,106 |
| Restricted Intergovernmental: | | | |
| Powell bill allocation | | 382,535 | |
| Grants | | 232,102 | |
| Total Restricted Intergovernmental | 542,025 | 614,637 | 72,612 |
| Permits and Fees: | | | |
| Building permits | 683,750 | 823,413 | 139,663 |
| Sales and Services: | | | |
| Recreation fees and concessions | | 261,629 | |
| Environmental protection fees | | 1,123,622 | |
| Total Sales and Services | 1,406,600 | 1,385,251 | (21,349) |
| Investment earnings | 330,000 | 699,971 | 369,971 |
| Miscellaneous: | | | |
| Miscellaneous | 24,000 | 26,743 | |
| Total Miscellaneous | 24,000 | 26,743 | 2,743 |
| Total Revenues | 17,099,475 | 18,260,685 | 1,161,210 |

TOWN OF ROLESVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)***YEAR ENDED JUNE 30, 2025*

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------|---------------|---------------|---|
| Expenditures: | | | |
| General Government: | | | |
| Governing Body: | | | |
| Salaries | \$ 67,600 | \$ 67,480 | \$ 120 |
| Administration: | | | |
| Salaries and employee benefits | 2,505,160 | 2,243,674 | |
| Operating expenses | 3,791,483 | 1,393,388 | |
| Capital outlay | 64,607 | 402,767 | |
| Total Administration | 6,361,250 | 4,039,829 | 2,321,421 |
| Total General Government | 6,428,850 | 4,107,309 | 2,321,541 |
| Public Safety: | | | |
| Salaries and employee benefits | 3,326,740 | 3,095,121 | |
| Operating expenses | 2,197,447 | 1,994,647 | |
| Capital outlay | 521,653 | 457,307 | |
| Total Public Safety | 6,045,840 | 5,547,075 | 498,765 |
| Recreation: | | | |
| Salaries and employee benefits | 797,100 | 762,969 | |
| Operating expenses | 520,145 | 461,953 | |
| Capital outlay | 50,500 | 45,146 | |
| Total Recreation | 1,367,745 | 1,270,068 | 97,677 |
| Environmental Protection: | | | |
| Contracted services | 1,007,750 | 973,014 | 34,736 |
| Capital outlay | 560,000 | 558,703 | 1,297 |
| Total Environmental Protection | 1,567,750 | 1,531,717 | 36,033 |
| Public Works: | | | |
| Salaries and employee benefits | 674,150 | 533,448 | |
| Operating expenses | 533,196 | 416,211 | |
| Capital outlay | 174,800 | 144,081 | |
| Total Public Works | 1,382,146 | 1,093,740 | 288,406 |
| Debt Service: | | | |
| Principal retirement | 980,000 | 697,839 | |
| Interest and other charges | 215,200 | 125,468 | |
| Total Debt Service | 1,195,200 | 823,307 | 371,893 |
| Total Expenditures | 17,987,531 | 14,373,216 | 3,614,315 |

TOWN OF ROLESVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)***YEAR ENDED JUNE 30, 2025*

| | Budget | Actual | Variance Positive (Negative) |
|--------------------------------------|---------------------|----------------------|---|
| Revenues Over (Under) Expenditures | <u>\$ (888,056)</u> | <u>\$ 3,887,469</u> | <u>\$ 4,775,525</u> |
| Other Financing Sources (Uses): | | | |
| Right-to-use proceeds | 500,000 | 347,490 | (152,510) |
| Transfer from ARPA grant fund | - | - | - |
| Transfer to capital project fund | (1,285,000) | (1,285,000) | - |
| Transfer to LAPP grant fund | - | - | - |
| Appropriated fund balance | <u>1,673,056</u> | <u>-</u> | <u>(1,673,056)</u> |
| Total Other Financing Sources (Uses) | <u>888,056</u> | <u>(937,510)</u> | <u>(1,825,566)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>2,949,959</u> | <u>\$ 2,949,959</u> |
| Fund balances, beginning of year | | <u>14,013,744</u> | |
| Fund balances, end of year | | <u>\$ 16,963,703</u> | |

TOWN OF ROLESVILLE, NORTH CAROLINA**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – CAPITAL PROJECTS FUND***FROM INCEPTION AND YEAR ENDED JUNE 30, 2025*

| | Project | | Actual | | Variance |
|---------------------------------|----------------------|---------------------|----------------------|----------------------|---------------------|
| | Authorization | Prior | Current | Total to | Positive |
| | | Years | Year | Date | (Negative) |
| Revenues: | | | | | |
| Park fees | \$ - | \$ 6,402,270 | \$ 1,291,682 | \$ 7,693,952 | \$ 7,693,952 |
| Street fees | - | 7,700,329 | 1,140,070 | 8,840,399 | 8,840,399 |
| Other taxes | - | 159,081 | - | 159,081 | 159,081 |
| Intergovernmental | 2,069,494 | 653,719 | - | 653,719 | (1,415,775) |
| Investment earnings | - | 787,846 | 443,509 | 1,231,355 | 1,231,355 |
| Miscellaneous | - | 50,000 | - | 50,000 | 50,000 |
| Total Revenues | <u>2,069,494</u> | <u>15,753,245</u> | <u>2,875,261</u> | <u>18,628,506</u> | <u>16,559,012</u> |
| Expenditures: | | | | | |
| Capital outlay | <u>24,747,219</u> | <u>18,619,757</u> | <u>2,152,076</u> | <u>20,771,833</u> | <u>3,975,386</u> |
| Debt Service: | | | | | |
| Principal retirement | 1,510,000 | 1,293,000 | 215,000 | 1,508,000 | (2,000) |
| Interest and other charges | <u>230,500</u> | <u>208,018</u> | <u>19,178</u> | <u>227,196</u> | <u>(3,304)</u> |
| Total Debt Service | <u>1,740,500</u> | <u>1,501,018</u> | <u>234,178</u> | <u>1,735,196</u> | <u>(5,304)</u> |
| Total Expenditures | <u>26,487,719</u> | <u>20,120,775</u> | <u>2,386,254</u> | <u>22,507,029</u> | <u>3,970,082</u> |
| Revenues Under Expenditures | <u>(24,418,225)</u> | <u>(4,367,530)</u> | <u>489,007</u> | <u>(3,878,523)</u> | <u>12,588,930</u> |
| Other Financing Sources (Uses): | | | | | |
| Loan proceeds | 8,273,000 | 8,238,000 | - | 8,238,000 | (35,000) |
| Transfer from general fund | 5,695,500 | 6,154,741 | 1,285,000 | 7,439,741 | 1,744,241 |
| Transfer to LAPP grant fund | - | (973,000) | - | (973,000) | (973,000) |
| Appropriation of fund balance | <u>10,449,725</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(10,449,725)</u> |
| Total Other Financing Sources | <u>24,418,225</u> | <u>13,419,741</u> | <u>1,285,000</u> | <u>14,704,741</u> | <u>(9,713,484)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ 9,052,211</u> | <u>1,774,007</u> | <u>\$ 10,826,218</u> | <u>\$ 2,875,446</u> |
| Fund balance, beginning of year | | | <u>9,052,201</u> | | |
| Fund balance, end of year | | | <u>\$ 10,826,208</u> | | |

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

FROM INCEPTION AND YEAR ENDED JUNE 30, 2025

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|---------------------------------|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| Revenues: | | | | | |
| Investment earnings | \$ - | \$ 226,956 | \$ 92,916 | \$ 319,872 | \$ 319,872 |
| Total Revenues | - | 226,956 | 92,916 | 319,872 | 319,872 |
| Expenditures | - | - | - | - | - |
| Revenues Under Expenditures | \$ - | \$ 226,956 | 92,916 | \$ 319,872 | \$ 319,872 |
| Fund balance, beginning of year | | | 1,999,548 | | |
| Fund balance, end of year | | | \$ 2,092,464 | | |

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, 2025*

| | Project Authorization | Prior Year | Actual Current Year | Total to Date | Variance Positive (Negative) |
|-------------------------------------|----------------------------------|-----------------------|------------------------------------|--------------------------|---|
| Revenues: | | | | | |
| Total Revenues | \$ 16,490,412 | \$ 11,883,011 | \$ 4,204,672 | \$ 16,087,683 | \$ (402,729) |
| Expenditures: | | | | | |
| Capital outlay | 21,153,339 | 9,362,946 | 4,400,080 | 13,763,026 | 7,390,313 |
| Contracted services | - | 1,058,809 | 742,684 | 1,801,493 | (1,801,493) |
| Total Expenditures | 21,153,339 | 10,421,755 | 5,142,764 | 15,564,519 | 5,588,820 |
| Revenues under expenditures | (4,662,927) | 1,461,256 | (938,092) | 523,164 | 5,186,091 |
| Other Financing Sources: | | | | | |
| Transfer from general fund | 3,689,927 | 3,689,927 | - | 3,689,927 | - |
| Transfer from capital projects fund | 973,000 | 973,000 | - | 973,000 | - |
| Total Other Financing Sources | 4,662,927 | 4,662,927 | - | 4,662,927 | - |
| Net change in fund balance | \$ - | \$ 6,124,183 | (938,092) | \$ 5,186,091 | \$ 5,186,091 |
| Fund balance, beginning of year | | | 6,124,183 | | |
| Fund balance, end of year | | | \$ 5,186,091 | | |

OTHER SCHEDULES

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

JUNE 30, 2025

| Fiscal Year | Uncollected Balance June 30, 2024 | Additions | Collections and Credits | Uncollected Balance June 30, 2025 |
|--------------------|--|----------------------|------------------------------------|--|
| 2024 - 2025 | \$ - | \$ 10,087,512 | \$ 10,070,747 | \$ 16,765 |
| 2023 - 2024 | 12,382 | - | 3,124 | 9,258 |
| 2022 - 2023 | 4,202 | - | 553 | 3,649 |
| 2021 - 2022 | 3,330 | - | 70 | 3,260 |
| 2020 - 2021 | 2,759 | - | 12 | 2,747 |
| 2019 - 2020 | 2,160 | - | 60 | 2,100 |
| 2018 - 2019 | 1,793 | - | - | 1,793 |
| 2017 - 2018 | 241 | - | 11 | 230 |
| 2016 - 2017 | 605 | - | - | 605 |
| 2015 and prior | 166 | - | 164 | 2 |
| | <u>\$ 27,638</u> | <u>\$ 10,087,512</u> | <u>\$ 10,074,741</u> | <u>\$ 40,409</u> |

Reconciliation with Revenue:

| | |
|---|----------------------|
| Ad valorem taxes - General Fund | \$ 9,979,325 |
| Reconciling Items: | |
| Rebates, refunds, and collections fees to Wake County and NCDMV | 95,417 |
| Total Collections and Credits | <u>\$ 10,074,742</u> |

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

YEAR ENDED JUNE 30, 2025

| | Town-Wide | | | Total Levy | |
|---|-------------------------|------|----------------------|--|---------------------------------|
| | Property Valuation | Rate | Total Levy | Property Excluding Registered Motor Vehicles | Registered Motor Vehicles |
| Original Levy: | | | | | |
| Property taxed at current | \$ 2,515,411,446 | 0.40 | \$ 10,087,512 | \$ 9,265,714 | \$ 821,798 |
| Registered motor vehicles taxes at prior year's rate | - | | - | - | - |
| Total | <u>\$ 2,515,411,446</u> | | 10,087,512 | 9,265,714 | 821,798 |
| Uncollected taxes at June 30, 2025 | | | (16,765) | (16,765) | - |
| Current year's taxes collected | | | <u>\$ 10,070,747</u> | <u>\$ 9,248,949</u> | <u>\$ 821,798</u> |
| Current levy collection percentage | | | <u>99.83%</u> | <u>99.82%</u> | <u>100.00%</u> |

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 Board
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 financial statements of the governmental and each major fund of the Town of Rolesville (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 3, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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
November 3, 2025

**Report of Independent Auditor on Compliance for the Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance and
the State Single Audit Implementation Act**

To the Members
Town of Rolesville
Rolesville, North Carolina

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Town of Rolesville, North Carolina's (the "Town"), compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the each of Town's major federal programs for the year ended June 30, 2025. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") the State Single Audit Implementation Act. Our responsibilities under those standards, the Uniform Guidance, and the State Single Audit Implementation Act, are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

In performing an audit in accordance with generally accepted audit standards, *Government Auditing Standards*, Uniform Guidance, and State Single Audit Implementation Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

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

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

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act

We have audited the financial statements of the governmental activities and each major fund of the Town as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated November 3, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Cherry Bekaert LLP

Raleigh, North Carolina
December 18, 2025

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

Section I—Summary of auditor's results

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to U.S. GAAP:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted

___ yes X no

Federal Awards

Internal control over major federal programs:

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

Noncompliance material to federal awards

___ yes X no

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

___ yes X no

Identification of major federal programs:

Assistance Listing Numbers

20.205-CL

Names of Federal Program or Cluster

Highway Planning and Construction

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

\$ 750,000

Auditee qualified as low-risk auditee?

___ yes X no

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2025

Section II—Financial statement findings

None reported.

Section III—Federal awards findings and questioned costs

None reported.

Section IV—State award findings and questioned costs

None reported.

TOWN OF ROLESVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2025

None noted.

TOWN OF ROLESVILLE, NORTH CAROLINA
SCHEDULE FOR EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

| Grantor/Program Title | Federal Assistance/ Listing Number / State DOT Number | Grantor's Number | Expenditures | |
|--|---|--------------------------|--------------|------------|
| | | | Federal | State |
| Federal Awards: | | | | |
| U.S. Department of Transportation | | | | |
| Passed through the NC Department of Transportation | | | | |
| Highway Planning and Construction Cluster | | | | |
| Highway Planning | 20.205 | 49183.3.1 | \$ 3,436,908 | \$ 117,263 |
| U.S. Department of Justice | | | | |
| Passed through the State of North Carolina | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 930 | - |
| Public Safety Partnership and Community | | | | |
| Policing Grants | 16.710 | 15JCOPS-23-GG-05037-UHPX | 106,437 | - |
| Total Federal Awards | | | 3,544,275 | 117,263 |
| State Awards: | | | | |
| N.C. Department of Transportation | | | | |
| Powell Bill | DOT - 4 | 32570 | - | 373,963 |
| Total State Awards | | | - | 373,963 |
| Total Federal and State Awards | | | \$ 3,544,275 | \$ 491,226 |

TOWN OF ROLESVILLE, NORTH CAROLINA
NOTES TO THE SCHEDULE FOR EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2025

Note 1—General

The Accompanying schedule of expenditures of federal and state awards reports the activity of all federal and state grant activity of the Town of Rolesville (the "Town") for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

Note 2—Basis of accounting

The accompanying schedule of expenditures of federal and state awards is presented using the modified accrual basis of accounting, which is its budgetary basis of accounting.

The Town has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3—Subrecipients

The Town has not contracted or made awards to any subrecipients.