

# **Town of Haw River**

Haw River, North Carolina

## **Audited Financial Statements**

Year Ended June 30, 2022



## **Town of Haw River**

Haw River, North Carolina

### **Audited Financial Statements**

Year Ended June 30, 2022

**Town of Haw River**  
**Haw River, North Carolina**  
**June 30, 2022**

Town Council

Kelly Allen, Mayor

H. Lee Lovette, Mayor Pro-Tem

Steve Lineberry

Patty Wilson

Shawn Riggan

Administrative and Financial Staff

Sean Tencer, Town Manager

Lesley Gonzalez, Finance Director /Town Clerk

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## Independent Auditor's Report

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Haw River, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Haw River's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haw River as of June 30, 2022, and the respective changes in financial position, and cash flows (where applicable) thereof and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental 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 judgement made by a reasonable user based on the financial statements.

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

- Exercised professional judgement and maintained professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures 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 of Haw River'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Haw River'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 the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Firefighters' and Rescue Squad Workers' Pension Fund's Schedule of the Proportionate Share of Net Pension Liability, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll 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 compromise the Town of Haw River's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, 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, based on our audit and the procedures performed as described above, the individual fund statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated **January 31, 2023** on our consideration of the Town of Haw River's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Haw River's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haw River's internal control over financial reporting and compliance.

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Certified Public Accountants  
Graham, North Carolina  
**January 15, 2022**



**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2022**

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

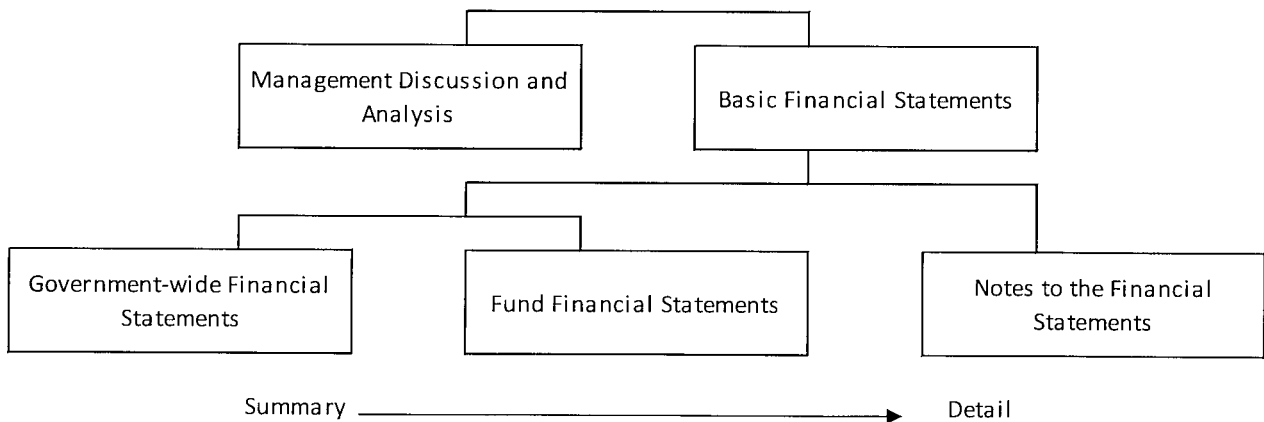
**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Haw River *exceeded* its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,094,867 (*net position*).
- The government's total net position increased by \$41,630 due to an *increase* in the government type net position of \$150,820 and a *decrease* in the business-type activities net position of \$109,190.
- As of the close of the current fiscal year, the Town of Haw River's governmental funds reported combined ending fund balances of \$1,474,985 with a net increase of \$314,368 in fund balance. Approximately 38.95% of this total amount, or \$574,460, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$900,525, or 36.94% of total general fund expenditures for the fiscal year.
- The Town of Haw River's total debt decreased \$10,138 due to a new loan for software and a police vehicle offset by principal payments of \$143,038 during the fiscal year.

This discussion and analysis are intended to serve as an introduction to the Town of Haw River'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 Haw River.

**Required Components of Annual Financial Report**

**Figure 1**



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2022**

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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 of Haw River'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 of Haw River's net position and how it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town of Haw River's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town of Haw River's basic services such as public safety and general administration. Utility franchise and excise taxes and sales taxes finance most of these activities. The business-type activities are those that the Town charge customers to provide.

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

**Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the Town of Haw River'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 Haw River, 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 Haw River can be divided into two categories: governmental funds and proprietary funds.

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

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

**Proprietary Funds** – The Town of Haw River has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide-financial statements. The Town of Haw River uses two enterprise funds to account for the operations and activity of its water and

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2022**

sewer fund and stormwater fund. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on page 22 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Haw River's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

**Interdependence with Other Entities** - The Town of Haw River depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations

**Government-Wide Financial Analysis**

The Town of Haw River's Net Position  
 Figure 2

	Governmental Activities			Business-Type Activities			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Current and other assets	\$ 1,979,732	\$ 1,237,969	\$ 1,524,775	\$ 1,223,095	\$ 1,038,911	\$ 1,141,578	\$ 3,202,827	\$ 2,276,880	\$ 2,666,353
Capital assets	2,169,362	2,304,050	1,855,726	3,980,520	4,180,604	4,381,996	6,149,882	6,484,654	6,237,722
Notes receivable	5,000,000	5,000,000	4,875,000	-	-	-	5,000,000	5,000,000	4,875,000
Deferred outflows of resources	647,441	653,123	423,438	121,271	111,820	61,282	768,712	764,943	484,720
Total assets and deferred outflows of resources	9,796,535	9,195,142	8,678,939	5,324,886	5,331,335	5,584,856	15,121,421	14,526,477	14,263,795
Long-term liabilities outstanding	7,370,930	7,637,065	6,635,268	1,317,423	1,390,480	1,354,028	8,688,353	9,027,545	7,989,296
Other liabilities	631,595	194,308	150,242	224,334	129,317	119,442	855,929	323,625	269,684
Deferred inflows of resources	382,302	102,878	57,626	99,972	19,192	1,494	482,274	122,070	59,120
Total liabilities and deferred inflows of resources	8,384,827	7,934,251	6,843,136	1,641,729	1,538,989	1,474,964	10,026,556	9,473,240	8,318,100
Net position:									
Net investment in capital assets	1,410,664	1,535,898	1,683,206	2,940,991	3,140,391	3,305,520	4,351,655	4,676,289	4,988,726
Restricted	574,460	571,465	1,036,069	33,295	33,295	33,295	607,755	604,760	1,069,364
Unrestricted	(573,413)	(846,472)	(883,472)	708,870	618,660	771,077	135,457	(227,812)	(112,395)
Total net position	\$ 1,411,711	\$ 1,260,891	\$ 1,835,803	\$ 3,683,156	\$ 3,792,346	\$ 4,109,892	\$ 5,094,867	\$ 5,053,237	\$ 5,945,695

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 resources of the Town of Haw River exceeded liabilities and deferred inflows of resources by \$5,094,867 as of June 30, 2022. The Town's net position increased by \$41,630 for the fiscal year ended June 30, 2022. However, a large portion (85.4 %) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Haw River uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Haw River's net investment in capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Haw River's net position, \$607,755, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$135,457 is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a positive tax collection percentage of 98.74%. The statewide average in fiscal year 2021 was 99.13%.
- Increased Other Tax revenue of \$81,160.

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2022**

**Town of Haw River's Changes in Net Position  
Figure 3**

	Governmental Activities			Business-type Activities			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Revenues:</b>									
<b>Program revenues:</b>									
Charges for services	\$ 139,101	\$ 123,205	\$ 140,309	\$ 1,959,845	\$ 1,939,336	\$ 2,028,565	\$ 2,098,946	\$ 2,062,541	\$ 2,168,874
Operating grants and contributions	131,365	124,121	80,283	-	-	-	131,365	124,121	80,283
Capital grants and contributions	98,084	58,612	55,553	-	-	-	98,084	58,612	55,553
<b>General revenues:</b>									
Property taxes - Ad Valorem	980,789	973,417	724,200	-	-	-	980,789	973,417	724,200
Property taxes - Fire district	289,234	292,144	281,177	-	-	-	289,234	292,144	281,177
Other taxes	921,117	839,957	802,614	-	-	-	921,117	839,957	802,614
Other	104,432	27,982	18,999	-	-	-	104,432	27,982	18,999
Investment earnings	1,952	410	18,249	1,490	752	5,502	3,442	1,162	23,751
<b>Total revenues</b>	<b>2,666,074</b>	<b>2,439,848</b>	<b>2,121,384</b>	<b>1,961,335</b>	<b>1,940,088</b>	<b>2,034,067</b>	<b>4,627,409</b>	<b>4,379,936</b>	<b>4,155,451</b>
<b>Expenses:</b>									
General government	554,990	525,387	486,913	-	-	-	554,990	525,387	486,913
Public safety	1,450,615	1,524,557	1,312,898	-	-	-	1,450,615	1,524,557	1,312,898
Transportation	236,451	573,276	133,441	-	-	-	236,451	573,276	133,441
Environmental protection	122,195	120,929	118,128	-	-	-	122,195	120,929	118,128
Economic and physical development	-	126,745	661	-	-	-	-	126,745	661
Culture and recreation	132,070	130,085	120,757	-	-	-	132,070	130,085	120,757
Interest on long-term debt	18,933	13,781	5,174	-	-	-	18,933	13,781	5,174
Water and sewer	-	-	-	2,054,465	2,224,466	2,186,820	2,054,465	2,224,466	2,186,820
Stormwater	-	-	-	16,060	33,168	10,146	16,060	33,168	10,146
<b>Total expenses</b>	<b>2,515,254</b>	<b>3,014,760</b>	<b>2,177,972</b>	<b>2,070,525</b>	<b>2,257,634</b>	<b>2,196,966</b>	<b>4,585,779</b>	<b>5,272,394</b>	<b>4,374,938</b>
Increase (decrease) in net position	150,820	(574,912)	(56,588)	(109,190)	(317,546)	(162,899)	41,630	(892,458)	(219,487)
Net position, July 1	1,260,891	1,835,803	6,767,391	3,792,346	4,109,892	4,272,791	5,053,237	5,945,695	11,040,182
Net position, restated	-	-	(4,875,000)	-	-	-	-	-	(4,875,000)
<b>Net position, June 30</b>	<b>\$ 1,411,711</b>	<b>\$ 1,260,891</b>	<b>\$ 1,835,803</b>	<b>\$ 3,683,156</b>	<b>\$ 3,792,346</b>	<b>\$ 4,109,892</b>	<b>\$ 5,094,867</b>	<b>\$ 5,053,237</b>	<b>\$ 5,945,695</b>

Note: 2020 Net Position has been restated to reflect prior period adjustments.

**Governmental activities.** Governmental activities increased the Town's net position by \$150,820, thereby accounting for 362.29% of the total increase in the net position of the Town of Haw River. Key elements of this change in net position are as follows:

- Local Option Sales taxes increased \$58,784 over the prior year.
- Expenditures overall decreased by \$499,506 due to less capital outlay in the current year.

**Business-type activities.** Business-type activities decreased the Town of Haw River's net position by \$109,190 accounting for (262.29%) of the total increase in the government's net position. Key elements of this change in net position as compared to the prior year are as follows:

- Charges for services increased \$36,405 due to an increase in the rates and usage.
- Expenses for the water and sewer fund decreased \$187,109 due to a decrease in the sewer collection system expenses offset by an increase in the water distribution expenses.

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

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

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

The general fund is the chief operating fund of the Town of Haw River. At the end of the current fiscal year, the Town of Haw River's fund balance available in the General Fund was \$900,525, while total fund balance reached \$1,474,985. The Town currently has an available fund balance of 36.94% of total General Fund expenditures, while total fund balance represents 60.50% of that same amount.

At June 30, 2022, the governmental funds of the Town of Haw River reported a combined fund balance of \$1,474,985 with a net increase in fund balance of \$314,368.

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2022**

**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.

Revenues were less than the budgeted amounts primarily because Local Option Sales Tax revenue that the Town originally had expected to receive was less. Expenditures were held in check to comply with its budgetary requirements.

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$571,900 and for the Stormwater Fund amounted to \$136,970. The total change in net position for the Water and Sewer Fund was a decrease of \$117,201 and for the Stormwater Fund an increase of \$8,011. The change in net position of the Water and Sewer Fund has improved over the prior year due to increased rates and usage.

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Haw River's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$6,149,882 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, park facilities and vehicles.

Major capital asset purchase transactions during the year include the following:

- Police and Fire Truck and related equipment - \$86,503.
- Financial software - \$26,176.
- Civic center Roof repairs - \$18,060.

**Town of Haw River's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities			Business-type Activities			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Land	\$ 167,968	\$ 167,968	\$ 167,968	\$ 1,040	\$ 1,040	\$ 1,040	\$ 169,008	\$ 169,008	\$ 169,008
Constuction in progress	-	-	-	103,232	103,232	103,232	103,232	103,232	103,232
Buildings and improvements	207,586	207,075	225,488	-	-	-	207,586	207,075	225,488
Equipment, furniture and fixtures	222,101	280,205	327,102	3,613	6,652	9,691	225,714	286,857	336,793
Infrastructure	663,841	705,508	747,173	-	-	-	663,841	705,508	747,173
Vehicles and motorized equipment	907,866	943,294	387,995	3,257	13,027	22,797	911,123	956,321	410,792
Plant and distribution systems	-	-	-	3,869,378	4,056,653	4,245,236	3,869,378	4,056,653	4,245,236
<b>Total</b>	<b>\$ 2,169,362</b>	<b>\$ 2,304,050</b>	<b>\$ 1,855,726</b>	<b>\$ 3,980,520</b>	<b>\$ 4,180,604</b>	<b>\$ 4,381,996</b>	<b>\$ 6,149,882</b>	<b>\$ 6,484,654</b>	<b>\$ 6,237,722</b>

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

**Long-term Debt.** As of June 30, 2022, the Town of Haw River had total debt outstanding of \$8,903,389. The total of \$670,000 of the Town's debt represents bonds secured by specified revenue sources (e.g. revenue bonds), \$5,000,000 represents the forgivable loan from the North Carolina Department of Commerce.

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2022**

Town of Haw River's Outstanding Debt

Figure 5

	Governmental Activities			Business-type Activities			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Direct placement installment purchase	\$ 758,698	\$ 768,152	\$ 172,520	\$ 369,529	\$ 356,213	\$ 378,476	\$ 1,128,227	\$ 1,124,365	\$ 550,996
Revenue bonds	-	-	-	670,000	684,000	698,000	670,000	684,000	698,000
Forgivable loan - Granite Mills	5,000,000	5,000,000	4,875,000	-	-	-	5,000,000	5,000,000	4,875,000
Total OPEB liability	1,208,458	1,137,872	1,058,038	279,851	258,634	232,985	1,488,309	1,396,506	1,291,023
Net pension liability (LGERS)	200,568	479,741	330,387	35,606	119,523	72,970	236,174	599,264	403,357
Net pension liability (LEO)	300,873	330,287	246,396	-	-	-	300,873	330,287	246,396
Compensated absences	58,386	62,650	56,526	21,420	22,365	20,158	79,806	85,015	76,684
<b>Total</b>	<b>\$ 7,526,983</b>	<b>\$ 7,778,702</b>	<b>\$ 6,738,867</b>	<b>\$ 1,376,406</b>	<b>\$ 1,440,735</b>	<b>\$ 1,402,589</b>	<b>\$ 8,903,389</b>	<b>\$ 9,219,437</b>	<b>\$ 8,141,456</b>

The Town of Haw River's total debt decreased by \$316,048 (3.43%) during the past fiscal year due to a new loan for financial software and a police vehicle for \$132,900, an increase in OPEB of \$91,803 offset by decreases in the LGERS and LEO obligations of \$392,504 netted with scheduled principal payments of \$143,038 on bonds, notes, and other long-term payables.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Haw River is \$11,602,889.

Additional information regarding the Town of Haw River's long-term debt can be found in note III.B.6 of this report.

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

The following key economic indicators reflect the activity of the Town of Haw River:

- Despite the effects of the Covid pandemic on the economy, sales tax revenues and other state-shared revenues remained relatively stable during the fiscal year 2021-2022. We expect to see some recoveries in the fiscal year 2022-2023.
- The Town continues to receive increases in the cost of water and sewer service provided by the City of Burlington. These increases must be passed along to the Town's water and sewer customers plus inflationary increases needed by the Town.
- The Feds have been increasing interest throughout the year to combat inflation; therefore, there has been some increase in interest income. The Town has faced continuing increases in electricity, gas, insurance, and other operational costs without corresponding increases in revenue.
- The Town's workforce has gotten much younger due to the retirement of several senior employees, resulting in lower salary costs. However, this has had a negative impact on the OPEB cost associated with retirees and their benefits.
- The Granite Mill renovation project is complete. There are 175 occupied apartments. The same developer has purchased the Tabadrey Mill and will hopefully begin construction in 2023.

### **Budget Highlights for the Fiscal Year Ending June 30, 2023**

**Governmental Activities:** There are several challenges faced by management when preparing for the fiscal year ending June 30, 2023. We anticipate continued increases in health insurance, workers' compensation insurance, property and liability insurance, and operational costs. We definitely project steady income through property taxes and sales taxes for 2022-2023 and hope for a continued economic recovery through the continuing COVID-19 pandemic and inflationary pressures.

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2022**

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**Business-type Activities:** We anticipate water and sewer rates in the Town to increase due to an increase in rates by the City of Burlington. The future budget allows for maintenance and repair costs. The Town of Haw River did receive approximately \$9.1 million in grants from the NC DEQ Water Infrastructure division to build a new Lang Street Pump Station, upgrades to other sewer pump stations, and other waterline improvements. The Town is also using ARP funds to install sewer meters on the Hanover Road sewer outfall to start monitoring sewer flow from the City of Graham, and charging for it. Also, the Town is committed to using ARP funding for radio-read water meters throughout the Town.

**Request for Information**

This report is designed to provide an overview of the Town of Haw River's finances for those with an interest in this area. Questions concerning any of the information found in this report or a request for additional information should be directed to the Town Manager, Town of Haw River, 403 East Main Street, Haw River, NC 27258.

BASIC FINANCIAL STATEMENTS



**Town of Haw River**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit 1**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 978,984	\$ 887,228	\$ 1,866,212
Taxes receivable (net)	37,840	-	37,840
Accrued interest receivable on taxes	2,902	-	2,902
Accounts receivable (net)	20,523	250,603	271,126
Due from other governments	211,137	-	211,137
Internal balances	22,263	(22,263)	-
Restricted cash and cash equivalents	706,083	107,527	813,610
Total current assets	1,979,732	1,223,095	3,202,827
Non-current Assets:			
Note receivable - Granite Mills	5,000,000	-	5,000,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	167,968	104,271	272,239
Other capital assets, net of depreciation	2,001,394	3,876,249	5,877,643
Total capital assets	2,169,362	3,980,520	6,149,882
Total assets	9,149,094	5,203,615	14,352,709
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	647,441	121,271	768,712
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	78,459	89,285	167,744
Accrued interest payable	11,537	1,834	13,371
Unearned revenue	385,546	-	385,546
Customer deposits	-	74,232	74,232
Compensated absences - current	58,386	13,122	71,508
Revenue bonds - current	-	15,000	15,000
Installment obligations - current	97,667	30,861	128,528
Total current liabilities	631,595	224,334	855,929
Long-term liabilities:			
Compensated absences - noncurrent	-	8,298	8,298
Revenue bonds - noncurrent	-	655,000	655,000
Installment obligations - noncurrent	661,031	338,668	999,699
Forgivable Loan - Granite Mills	5,000,000	-	5,000,000
Net pension liability - LGERS	200,568	35,606	236,174
Total pension liability - LEOSSA	300,873	-	300,873
Total OPEB liability	1,208,458	279,851	1,488,309
Total long-term liabilities	7,370,930	1,317,423	8,688,353
Total liabilities	8,002,525	1,541,757	9,544,282
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	382,302	99,972	482,274
<b>NET POSITION</b>			
Net investments in capital assets	1,410,664	2,940,991	4,351,655
Restricted for:			
Transportation	196,057	-	196,057
Public safety	65,163	-	65,163
Cultural and recreational	59,317	-	59,317
Economic development	-	-	-
USDA	-	33,295	33,295
Stabilization by State Statute	253,923	-	253,923
Unrestricted	(573,413)	708,870	135,457
Total net position	\$ 1,411,711	\$ 3,683,156	\$ 5,094,867

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

**Town of Haw River  
Statement of Activities  
For the Year Ended June 30, 2022**

Exhibit 2

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 554,990	\$ -	\$ -	\$ -	\$ (554,990)	\$ -	\$ (554,990)
Public safety	1,450,615	-	64,461	98,084	(1,288,070)	-	(1,288,070)
Transportation	236,451	-	65,133	-	(171,318)	-	(171,318)
Economic and physical development	-	-	-	-	-	-	-
Environmental protection	122,195	126,303	1,771	-	5,879	-	5,879
Cultural and recreation	132,070	12,798	-	-	(119,272)	-	(119,272)
Interest on long-term debt	18,933	-	-	-	(18,933)	-	(18,933)
Total governmental activities	2,515,254	139,101	131,365	98,084	(2,146,704)	-	(2,146,704)
<b>Business-type activities:</b>							
Water and sewer	2,054,465	1,935,774	-	-	-	(118,691)	(118,691)
Stormwater	16,060	24,071	-	-	-	8,011	8,011
Total business-type activities	2,070,525	1,959,845	-	-	(110,680)	(110,680)	(110,680)
<b>Total primary government</b>	<b>\$ 4,585,779</b>	<b>\$ 2,098,946</b>	<b>\$ 131,365</b>	<b>\$ 98,084</b>	<b>(2,146,704)</b>	<b>(110,680)</b>	<b>(2,257,384)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					980,789	-	980,789
Property taxes, levied for specific purpose					289,234	-	289,234
Other taxes					921,117	-	921,117
Unrestricted investment earnings					1,952	1,490	3,442
Miscellaneous					104,432	-	104,432
Total general revenues					2,297,524	1,490	2,299,014
Total change in net position					150,820	(109,190)	41,630
Net position-beginning					1,260,891	3,792,346	5,053,237
Net position-ending					\$ 1,411,711	\$ 3,683,156	\$ 5,094,867

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2022**

**Exhibit 3**

	<b>Major Fund - General</b>	<b>ARPA Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 978,984	-	\$ 978,984
Restricted cash and cash equivalents	320,537	385,546	706,083
Receivables, (net):			
Taxes	18,680	-	18,680
Fire district levy	19,159	-	19,159
Accounts	20,523	-	20,523
Due from other governments	211,137	-	211,137
Due from other funds	22,263	-	22,263
Total assets	<u>\$ 1,591,283</u>	<u>\$ 385,546</u>	<u>\$ 1,976,829</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 78,459	\$ -	\$ 78,459
Total liabilities	<u>78,459</u>	<u>-</u>	<u>78,459</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	-	385,546	385,546
Property taxes receivable	18,680	-	18,680
Fire district taxes receivable	19,159	-	19,159
Total deferred inflows of resources	<u>37,839</u>	<u>385,546</u>	<u>423,385</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State Statute	253,923	-	253,923
Transportation	196,057	-	196,057
Public safety	65,163	-	65,163
Cultural and recreation	59,317	-	59,317
Economic development	-	-	-
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned, General Fund	900,525	-	900,525
Total fund balances	<u>1,474,985</u>	<u>-</u>	<u>1,474,985</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,591,283</u>	<u>\$ 385,546</u>	<u>\$ 1,976,829</u>

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2022**

**Exhibit 3**

**Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:**

Total fund balance, governmental funds.....		\$ 1,474,985
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost.....	5,981,319	
Accumulated depreciation.....	<u>(3,811,957)</u>	2,169,362
Deferred outflows of resources related to pensions are not reported in the funds.....		377,957
Deferred outflows of resources related to OPEB are not reported in the funds.....		269,484
Other long-term assets are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.		
Accrued interest receivable on taxes.....	2,902	
Notes receivable.....	<u>5,000,000</u>	5,002,902
Earned revenues considered deferred inflows of resources in fund statements.....		37,840
Deferred inflows of resources related to pensions are not reported in the funds.....		(319,990)
Deferred inflows of resources related to OPEB are not reported in the funds.....		(62,310)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable.....	(5,758,697)	
Compensated absences.....	(58,386)	
Net pension liability - LGERS.....	(200,568)	
Total pension liability - LEOSSA.....	(300,873)	
OPEB liability.....	<u>(1,208,458)</u>	(7,526,982)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.....		<u>(11,537)</u>
<b>Net Position of Governmental Activities.....</b>		<b><u>\$ 1,411,711</u></b>

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

**Town of Haw River** **Exhibit 4**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

	<b>Major Fund - General</b>	<b>ARPA Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>			
Ad valorem taxes	\$ 976,616	\$ -	\$ 976,616
Unrestricted intergovernmental	921,117	-	921,117
Restricted intergovernmental	481,877	18,404	500,281
Sales and services	139,101	-	139,101
Investment earnings	1,952	-	1,952
Other revenues	108,214	-	108,214
Total revenues	2,628,877	18,404	2,647,281
<b>Expenditures:</b>			
Current:			
General government	581,186	-	581,186
Public safety	1,335,847	-	1,335,847
Transportation	163,238	-	163,238
Economic and physical development	-	18,404	18,404
Environmental protection	117,484	-	117,484
Cultural and recreation	123,507	-	123,507
Debt service:			
Principal	98,556	-	98,556
Interest and other charges	18,098	-	18,098
Total expenditures	2,437,916	18,404	2,456,320
Revenues over (under) expenditures	190,962	-	190,962
Other financing sources (uses):			
Installment purchase obligations issued	87,913	-	87,913
Sale of capital assets	35,493	-	35,493
Total other financing sources (uses)	123,406	-	123,406
Net change in fund balance	314,368	-	314,368
Fund balance, beginning	1,160,617	-	1,160,617
Fund balance, ending	\$ 1,474,985	\$ -	\$ 1,474,985

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2022**

**Exhibit 4**

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

Net change in fund balances - total governmental funds	\$	314,368
<p>Governmental funds report capital outlays as expenditures; however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay expenditures which were capitalized.....	\$ 132,218	
Depreciation expense for governmental assets.....	<u>(266,906)</u>	(134,688)
Book value of capital asset disposed of during the year, not recognized on modified accrual basis.....		-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.....		120,983
Benefit payments paid and administrative costs for LEOSA are deferred outflows of resources on the Statement of Activities.....		13,196
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities.....		73,062
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Amount of contributed capital.....	-	
Change in unavailable revenue for tax revenue.....	3,808	
Change in accrued interest receivable on taxes.....	<u>364</u>	4,172
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
New long-term debt issued.....	(87,913)	
Principal payments on long-term debt.....	97,367	
Decrease in accrued interest payable.....	<u>353</u>	9,807
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences.....	4,264	
Pension expense.....	(106,342)	
LEO pension expense.....	(31,595)	
OPEB plan expense.....	<u>(116,407)</u>	(250,080)
<b>Total changes in net position of governmental activities .....</b>		<u><u>\$ 150,820</u></u>

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

**Town of Haw River  
General Fund**

**Exhibit 5**

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2022**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	\$ 945,626	\$ 945,626	\$ 976,616	\$ 30,990
Unrestricted intergovernmental	881,990	1,021,780	921,117	(100,663)
Restricted intergovernmental	374,483	448,998	481,877	32,879
Sales and services	133,003	136,733	139,101	2,368
Investment earnings	200	3,700	1,952	(1,748)
Other revenues	9,100	92,082	108,214	16,132
Total revenues	2,344,402	2,648,919	2,628,877	(20,042)
<b>Expenditures:</b>				
Current:				
General government	527,607	721,149	581,186	139,963
Public safety	1,273,981	1,501,145	1,335,847	165,298
Transportation	227,285	233,724	163,238	70,486
Environmental protection	122,335	122,335	117,484	4,851
Cultural and recreation	148,401	164,843	123,507	41,336
Debt service:				
Principal and interest	115,853	115,853	116,653	(800)
Total expenditures	2,415,462	2,859,049	2,437,915	421,134
Revenues over (under) expenditures	(71,060)	(210,130)	190,962	401,092
Other financing sources (uses):				
Installment purchase obligations issued	87,900	87,900	87,913	13
Sale of capital assets	1,000	9,697	35,493	25,796
Transfers in (out)	(32,160)	(50,910)	-	50,910
Contingency	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	6,740	(3,313)	123,406	126,719
Appropriated fund balance	64,320	227,443	-	(227,443)
Net change in fund balance	\$ -	\$ 14,000	314,368	\$ 300,368
Fund balances:				
Beginning of year - July 1			1,160,617	
End of year - June 30			\$ 1,474,985	

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

**Town of Haw River**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2022**

Exhibit 6

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 754,336	\$ 132,892	\$ 887,228
Restricted cash and cash equivalents	107,527	-	107,527
Accounts receivable (net)	246,525	4,078	250,603
Total current assets	<u>1,108,388</u>	<u>136,970</u>	<u>1,245,358</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	104,271	-	104,271
Other capital assets, net of depreciation	3,876,249	-	3,876,249
Capital assets (net)	<u>3,980,520</u>	<u>-</u>	<u>3,980,520</u>
Total noncurrent assets	<u>3,980,520</u>	<u>-</u>	<u>3,980,520</u>
Total assets	<u>5,088,908</u>	<u>136,970</u>	<u>5,225,878</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	121,271	-	121,271
Total deferred outflows of resources	<u>121,271</u>	<u>-</u>	<u>121,271</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	89,285	-	89,285
Accrued interest payable	1,834	-	1,834
Customer deposits	74,232	-	74,232
Due to other funds	22,263	-	22,263
Compensated absences - current	13,122	-	13,122
Revenue bonds - current	15,000	-	15,000
Installment obligations - current	30,861	-	30,861
Total current liabilities	<u>246,597</u>	<u>-</u>	<u>246,597</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	8,298	-	8,298
Revenue bonds - noncurrent	655,000	-	655,000
Installment obligations - noncurrent	338,668	-	338,668
Net pension liability	35,606	-	35,606
Total OPEB liability	<u>279,851</u>	<u>-</u>	<u>279,851</u>
Total noncurrent liabilities	<u>1,317,423</u>	<u>-</u>	<u>1,317,423</u>
Total liabilities	<u>1,564,020</u>	<u>-</u>	<u>1,564,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	84,481	-	84,481
OPEB deferrals	15,491	-	15,491
Total deferred inflows of resources	<u>99,972</u>	<u>-</u>	<u>99,972</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,940,991	-	2,940,991
Restricted - USDA	33,295	-	33,295
Unrestricted	571,900	136,970	708,870
Total net position	<u>\$ 3,546,186</u>	<u>\$ 136,970</u>	<u>\$ 3,683,156</u>

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



**Town of Haw River** **Exhibit 7**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,892,204	\$ -	\$ 1,892,204
Surcharges	1,200	-	1,200
Taps and connection fees	-	-	-
Other operating revenues	42,370	24,071	66,441
<b>Total operating revenues</b>	<u>1,935,774</u>	<u>24,071</u>	<u>1,959,845</u>
<b>OPERATING EXPENSES</b>			
Administration	252,811	-	252,811
Water distribution	974,879	-	974,879
Sewer collection	607,562	-	607,562
Stormwater	-	16,060	16,060
Depreciation	200,084	-	200,084
<b>Total operating expenses</b>	<u>2,035,336</u>	<u>16,060</u>	<u>2,051,396</u>
<b>Operating income (loss)</b>	<u>(99,562)</u>	<u>8,011</u>	<u>(91,551)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	1,490	-	1,490
Interest and other charges	(19,129)	-	(19,129)
<b>Total nonoperating revenues (expenses)</b>	<u>(17,639)</u>	<u>-</u>	<u>(17,639)</u>
<b>Change in net position</b>	(117,201)	8,011	(109,190)
<b>Total net position - beginning</b>	3,663,387	128,959	3,792,346
<b>Total net position - ending</b>	<u>\$ 3,546,186</u>	<u>\$ 136,970</u>	<u>\$ 3,683,156</u>

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

**Town of Haw River**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2022**

**Exhibit 8**

	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,952,226	\$ 24,164	\$ 1,976,390
Cash paid for goods and services	(1,193,383)	(16,707)	(1,210,090)
Cash paid to or on behalf of employees for services	(556,983)	-	(556,983)
Customer deposits received	11,080	-	11,080
Customer deposits refunded	(1,665)	-	(1,665)
Other operating revenues	42,370	-	42,370
Net cash provided (used) by operating activities	<u>253,645</u>	<u>7,457</u>	<u>261,102</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	-	-	-
Installment purchase obligations issued	44,987	-	44,987
Principal paid on direct placement installment purchase obligations	(31,671)	-	(31,671)
Principal paid on bond maturities	(14,000)	-	(14,000)
Interest paid on bond maturities	(18,810)	-	(18,810)
Net cash provided (used) by capital and related financing activities	<u>(19,494)</u>	<u>-</u>	<u>(19,494)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends	1,490	-	1,490
Net cash provided (used) by investing activities	<u>1,490</u>	<u>-</u>	<u>1,490</u>
Net increase (decrease) in cash and cash equivalents	<u>235,641</u>	<u>7,457</u>	<u>243,098</u>
Balances - beginning	626,222	125,435	751,657
Balances - ending	<u>\$ 861,863</u>	<u>\$ 132,892</u>	<u>\$ 994,755</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (99,562)	\$ 8,011	\$ (91,551)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	200,084	-	200,084
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	58,821	93	58,914
(Increase) decrease in deferred outflows of resources - pensions	(9,451)	-	(9,451)
Increase (decrease) in accounts payable and accrued liabilities	77,202	(647)	76,555
Increase (decrease) in customer deposits	9,415	-	9,415
Increase (decrease) in accrued vacation payable	(945)	-	(945)
Increase (decrease) in pension liability	(83,917)	-	(83,917)
Increase (decrease) in OPEB liability	21,217	-	21,217
Increase (decrease) in deferred inflows of resources - pensions	85,376	-	85,376
Increase (decrease) in deferred inflows of resources - OPEB	(4,595)	-	(4,595)
Total adjustments	<u>353,207</u>	<u>(554)</u>	<u>352,653</u>
Net cash provided (used) by operating activities	<u>\$ 253,645</u>	<u>\$ 7,457</u>	<u>\$ 261,102</u>

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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Haw River 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 Haw River ("the Town") is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

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

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

The Town reports the following major governmental fund:

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

The Town reports the following non-major governmental fund:

**American Rescue Plan Fund.** This fund is used to account for the transactions related to the American Rescue Plan Funds.

The Town reports the following major enterprise fund:

**Water and Sewer Fund** - This fund is used to account for the Town's water and sewer operations. A Water and Sewer Capital Projects Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

The Town reports the following non-major enterprise fund:

**Stormwater Fund** – This fund is used to account for the Town's stormwater program operations.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Sales taxes and certain intergovernmental revenues, such as utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Haw River because the tax is levied by Alamance County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town may fund 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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Granite Mills Renovation Special Revenue Fund and the Enterprise Fund Capital Project Fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. 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. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the Town Council must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**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. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

The Town does not have a formal investment or credit risk policy.

**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 Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Monies donated to the Town by the Haw River Civic Center Association, Inc., are classified as restricted cash because they can only be expended for maintenance, upkeep and enhancement to the Haw River Civic Center Building per the term of the agreement with the donor organization. Federal forfeiture funds are also classified as restricted cash because it can be expended only for activities to enhance future investigation; law enforcement training, equipment and operations; detention facilities; law enforcement facilities and equipment; and drug education and awareness programs per 21 U.S.C. 881 (e)(1)(A) and (e)(3), 18 U.S.C. 981(e)(2), and 19 U.S.C. 1616a. State authorized substance tax funds are classified as restricted because it can be expended only for activities to enhance the Town's police department's ability to deter and investigate crimes, especially drug offences per G.S. 105-113.105 through 105-113-113. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**Town of Haw River Restricted Cash**

Governmental Activities

General Fund	Public safety	\$ 65,163
	Cultural and recreation	59,317
	Transportation	196,057
Special Revenue Fund	APRA	385,546
Total Governmental Activities		<u>706,083</u>

Business-type Activities

Water and Sewer Fund	Customer deposits	74,232
	USDA Reservation	33,295
Total Business-type Activities		<u>107,527</u>

Total Restricted Cash	<u>\$ 813,610</u>
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**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 6th. These taxes are based on the assessed values as of January 1, 2021. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Inventory and Prepaid Items**

The Town's General Fund and Water and Sewer Fund inventories consist of materials and supplies held for subsequent use. The costs of these inventories are expensed when purchased rather than when consumed.

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

**7. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$10,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$15,000; infrastructure, \$20,000; equipment and furniture, \$5,000; vehicles and motorized equipment, \$10,000; computer software, \$5,000; and computer equipment, \$500. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	25 - 40
Plant and distribution system	40
Infrastructure	15 - 40
Equipment and furniture	5 - 15
Vehicles	5 - 30
Computer equipment and software	3 - 5

**8. Right to Use Assets**

The Town of Haw River has evaluated the applicability of GASB 87 and has determined they have no right to use lease assets or lease liabilities.

**9. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has two items that meet this criterion, pension deferrals and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has four items that meet the criterion for this category – ad valorem tax receivable, fire tax receivable, and pension and OPEB deferrals.

**10. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of any applicable bond premiums or discounts. Bond 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 bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while any 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.

**11. Compensated Absences**

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

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

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**Town of Haw River, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2022**

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12. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

**Restricted for Transportation** – 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 Public Safety** – portion of fund balance that is restricted by revenue source for law enforcement activities as well as fire department capital reserve monies from a percentage of the fire tax.

**Restricted for Cultural and Recreation** – portion of fund balance that is restricted by a donor organization for maintenance, upkeep and enhancement of the Haw River Civic Center Building.

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

**Assigned Fund Balance** – portion of fund balance that the Town of Haw River intends to use for specific purposes.



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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorized the manager to transfer amounts up to \$1,000 between functional areas, including contingency appropriations, within the same fund.

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

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

The Town of Haw River has not adopted a minimum fund balance policy for the general fund.

**13. Defined Benefit Cost-Sharing Plans**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Haw River's employer contributions are recognized when due and the Town of Haw River 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.

For purposes of measuring the net pension expense, information about the fiduciary net position of the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF) and additions to/deductions from FRSWPF's fiduciary net position have been determined on the same basis as they are reported by FRSWPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**14. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**A. Excess of Expenditures over Appropriations**

For the fiscal year ended June 30, 2022, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing body for debt service interest payments by \$801. This over-expenditure occurred because of a change in the loan interest due. Management will more closely review changes to the debt service amounts to ensure the budget is sufficient to cover the full amount.

**III. 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 agent in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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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 in the Town's name. 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, 2022 the Town's deposits had a carrying amount of \$1,138,329, and a bank balance of \$1,271,352. Of the bank balance, \$313,843 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2022, the Town's petty cash fund totaled \$250.

2. Investments

At June 30, 2022, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust				
- Governmental Portfolio	Fair Value-Level 1	\$ 1,541,242	N/A	AAAm
Total		<u>\$ 1,541,242</u>		

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets. Level 2 debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' benchmark quoted prices.

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

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

*Concentration of Credit Risk* – The Town's Council places no limit on the amount that the Town may invest in any one issuer. For the year ended June 30, 2022, there were no investments in commercial paper that totaled more than 5 percent of the Town's investments.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

3. Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2022 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable - allowance	\$ 9,074
Fire Districts levy - allowance	2,428
Garbage receivable - allowance	6,557
Total	<u>18,059</u>
Enterprise Funds:	
Accounts receivable	41,424
Total allowances	<u>\$ 59,483</u>

4. Capital Assets

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

	<b>Beginning</b>				<b>Ending</b>
	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>		<b>Balances</b>
<b>Governmental activities:</b>					
<b>Capital assets not being depreciated</b>					
Land	\$ 167,968	\$ -	\$ -		\$ 167,968
Construction in progress	-	-	-		-
Total capital assets not being depreciated	<u>167,968</u>	<u>-</u>	<u>-</u>		<u>167,968</u>
<b>Capital assets being depreciated:</b>					
Buildings and improvements	914,199	18,060	-		932,259
Equipment, furniture and fixtures	1,725,527	27,654	-		1,753,181
Infrastructure	1,596,692	-	-		1,596,692
Vehicles and motorized equipment	1,568,659	86,503	123,945		1,531,217
Total capital assets being depreciated	<u>5,805,077</u>	<u>132,217</u>	<u>123,945</u>		<u>5,813,349</u>
<b>Less accumulated depreciation for:</b>					
Buildings and improvements	707,124	17,549	-		724,673
Equipment, furniture and fixtures	1,445,322	85,758	-		1,531,080
Infrastructure	891,184	41,667	-		932,851
Vehicles and motorized equipment	625,365	121,931	123,945		623,351
Total accumulated depreciation	<u>3,668,995</u>	<u>\$ 266,905</u>	<u>\$ 123,945</u>		<u>3,811,955</u>
Total capital assets being depreciated, net	<u>2,136,082</u>				<u>2,001,394</u>
<b>Governmental activity capital assets, net</b>	<u>\$ 2,304,050</u>				<u>\$ 2,169,362</u>

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

General government	\$ 13,078
Public safety	168,552
Transportation	74,194
Recreation	4,711
Environmental protection	6,370
Total depreciation expense	<u>\$ 266,905</u>

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Capital asset activity for the Business-type Activities for the year ended June 30, 2022, was as follows:

<b>Business-type activities:</b>	<b>Beginning</b>			<b>Ending</b>
<i>Water and Sewer Fund</i>	<b>Balances</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances</b>
<b>Capital assets not being depreciated</b>				
Land	\$ 1,040	\$ -	\$ -	\$ 1,040
Construction in progress	103,232	-	-	103,232
Total capital assets not being depreciated	104,272	-	-	104,272
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	9,286,867	-	-	9,286,867
Equipment, furniture and fixtures	209,171	-	-	209,171
Vehicles and motorized equipment	81,042	-	-	81,042
Total capital assets being depreciated	9,577,080	-	-	9,577,080
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	5,230,214	187,275	-	5,417,489
Equipment, furniture and fixtures	202,519	3,039	-	205,558
Vehicles and motorized equipment	68,015	9,770	-	77,785
Total accumulated depreciation	5,500,748	\$ 200,084	\$ -	5,700,832
Total capital assets being depreciated, net	4,076,332			3,876,248
<b>Business-type activities capital assets, net</b>	<b>\$ 4,180,604</b>			<b>\$ 3,980,520</b>

The Town has active construction projects as of June 30, 2022. However, at year-end, the Town had no active construction commitments with contractors.

**B. Liabilities**

1. Pension Plan and Postemployment Obligations

a. Local Governmental Employees' Retirement System

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Haw River employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Haw River's contractually required contribution rate for the year ended June 30, 2022, was 12.04% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Haw River were \$120,983 for the year ended June 30, 2022.

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

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

At June 30, 2022, the Town reported a liability of \$236,174 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021 (measurement date), the Town's proportion was 0.0154%, which was a decrease of .00137% from its proportion measured as of June 30, 2020.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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For the year ended June 30, 2022, the Town recognized pension expense of \$101,945. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 75,135	\$ -
Changes of assumptions	148,377	-
Net difference between projected and actual earnings on pension plan investments	-	337,421
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,391	33,382
Town contributions subsequent to the measurement date	120,983	-
Total	<u>\$ 357,886</u>	<u>\$ 370,803</u>

\$120,983 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 17,130
2024	(11,288)
2025	(36,488)
2026	(103,253)
2027	-
Thereafter	-

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

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

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed Income	26.7%
Public Equity	36.8%
Cash and Receivables	10.9%
Other	25.6%
Total	<u>100.0%</u>

The information above is based on 30 year expectations developed with the consulting actuary for the 2020 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.5%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.5 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.5 percent) or one percentage point higher (7.5 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.5%)</u>	<u>Discount Rate</u> <u>(6.5%)</u>	<u>1% Increase</u> <u>(7.5%)</u>
Town's proportionate share of the net pension liability (asset)	\$ 916,807	\$ 236,174	\$ (323,948)

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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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b. Law Enforcement Officers Special Separation Allowance

*Plan Description.* The Town of Haw River administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

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

Retirees receiving benefits	2
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	9
Total	11

*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 that meets the criteria which are outlined in GASB Statement 73.

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

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including productivity factor
Discount rate	2.25 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020. Mortality rates are based on the Pub-2010 amount-weighted tables with adjustments projected forward generationally from the valuation date using MP-2019.

*Contributions.* The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this Plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$32,355 as benefits came due for the reporting period.

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

At June 30, 2022, the Town reported a total pension liability of \$300,873. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$44,791.



**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,374	\$ 25,392
Changes of assumptions	52,663	8,276
Town benefit payments and plan administrative expense subsequent to the measurement date	13,196	-
<b>Total</b>	<b>\$ 79,233</b>	<b>\$ 33,668</b>

\$13,196 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 10,294
2024	11,832
2025	16,457
2026	(4,159)
2027	(2,055)
Thereafter	-

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

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total pension liability	\$ 327,613	\$ 300,873	\$ 276,677

**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**

	2022
Beginning Balance	\$ 330,287
Service Cost	20,789
Interest on the total pension liability	6,062
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,639)
Changes of assumptions or other inputs	(8,271)
Benefit payments	(32,355)
Other changes	-
Ending Balance of the total pension liability	<u>\$ 300,873</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study from the five year period ending December 31, 2019.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

***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	\$ 101,945	\$ 44,791	\$ 146,736
Pension Liability	236,174	300,873	537,047
Proportionate share of the net pension liability	0.01540%	n/a	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	75,135	13,374	88,509
Changes of assumptions	148,377	52,663	201,040
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	13,391	-	13,391
Benefit payments and administrative costs paid subsequent to the measurement date	120,983	13,196	134,179
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	337,421	25,392	362,813
Changes of assumptions	-	8,276	8,276
Changes in proportion and differences between contributions and proportionate share of contributions	33,382	-	33,382

Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to 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.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan. Contributions for the year ended June 30, 2022 were \$23,169, which consisted of \$18,959 from the Town and \$4,210, respectively, from the law enforcement officers.

c. Supplemental Retirement Income Plan for Non-Law Enforcement Officers

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by The Prudential Insurance Company of America. The Plan provides retirement benefits to non-law enforcement officers employed by the Town who are members of the Local Governmental Employees' Retirement System. The Town Council has the authority for establishing or amending the plan's provisions.

*Funding Policy.* The Town contributes an amount equal to five percent of each employees' salary, and all amounts are vested immediately. The employees may make voluntary contributions to the plan. The Town Council has the authority for establishing or amending contribution requirements. Contributions for the year ended June 30, 2022 were \$42,869, which consisted of \$31,559 from the Town and \$11,310, respectively, from the employees.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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d. Firefighters' and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Haw River, to the Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. FRSWPF provides pension benefits for eligible fire workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 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 Firefighter's Pension Fund 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 the Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the plan. The State, a non-employer contributor, funds the plan through appropriations. The Town is not required to contribute to the Fund; however, as a benefit to the firefighters, the Town has chosen to fund the member's contributions. Contribution provisions are established by General Statute 58- 86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2022, the State contributed \$19,002,000 to the plan. The Town of Haw River's proportionate share of the State's contribution is \$(2,469).

*Refunds of Contributions* – Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

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

At June 30, 2022, the Town reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the Town through its appropriations to the FRSWPF. The total portion of the net pension liability that was associated with the Town and supported by the State was \$(22,416). The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. As the Town is not projected to make any future contributions to the plan, its proportionate share at June 30, 2022 and at June 30, 2021 was 0%.

For the year ended June 30, 2022, the Town recognized pension expense of \$5,545 and revenue of \$5,545 for support provided by the State. At June 30, 2022, the Town reported no deferred outflows of resources and no deferred inflows of resources related to pensions.

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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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Inflation	3.0 percent
Salary increases	Not applicable
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

For more information regarding actuarial assumptions, including mortality tables, the actuarial experience study, the consideration of future ad hoc COLA amounts, the development of the projected long-term investment returns, and the asset allocation policy, refer to the discussion of actuarial assumptions for the LGERS plan noted above.

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

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

e. Other Postemployment Benefits

Healthcare Benefits

**Plan Description.** Under the terms of a Town resolution, the Town administers a single-employer defined benefit Healthcare Benefits Plan (the HCB Plan), health care benefits to retirees of the Town, provided they retire under the provisions set forth under the north Carolina Local Governmental Employees' Retirement System (NCLGERS) and are eligible for continuation of the same coverage in the Town's group health insurance plan until the retiree becomes eligible for Medicare. Health care and prescription drug coverage are provided through the purchase of individual health insurance plans for each retiree. The Town subsidizes this coverage until the retiree becomes eligible for Medicare.

The Town's contribution to the cost of coverage for eligible retirees is based on the following:

The Town will pay the percentage of premium for coverage for employees hired before August 1, 2010 based on the following schedule:

<u>Years of Service at Retirement</u>	<u>Town Contribution</u>
20 or more	100%
15-19	75%
10-14	50%
5-9	25%

The Town will pay the percentage of premium for coverage for employees hired on or after August 1, 2010 based on the following schedule:

<u>Years of Service at Retirement</u>	<u>Town Contribution</u>
30 or more	100%
25-29	75%
20-24	50%

Employees with five or more years of Town service who retire under disability will have 100% of the health plan premium paid by the Town.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Membership of the HCB Plan consisted of the following at June 30, 2020, the date of the latest actuarial valuation:

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	3	3
Active plan members	16	7
Total	<u>19</u>	<u>10</u>

**Total OPEB Liability**

The Town's total OPEB liability of \$1,488,309 was measured as of June 30, 2021 and was determined by an actuarial valuation at June 30, 2020.

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

Inflation	2.5 percent
Salary increases	3.25 to 8.41 percent, including inflation
Discount rate	2.16 percent
Healthcare cost trend rates	Pre-Medicare 7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

The discount rate is 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**

	<u>Total OPEB Liability</u>
<b>Beginning balance</b>	\$ 1,396,506
<b>Changes for the year:</b>	
Service Cost	74,938
Interest	31,862
Changes of benefit terms	-
Changes between expected and actual experience	(2,067)
Changes in assumptions or other inputs	46,848
Benefit payments	(59,778)
<b>Net changes</b>	<u>91,803</u>
<b>Ending balance</b>	<u>\$ 1,488,309</u>

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 – December 31, 2019, adopted by the LGERS. The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of a recent plan experience done concurrently with the June 30, 2020 valuation.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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

	<b>1% Decrease (1.16%)</b>	<b>Discount Rate (2.16%)</b>	<b>1% Increase (3.16%)</b>
Total OPEB liability	\$ 1,638,200	\$ 1,488,309	\$ 1,355,447

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

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
Total OPEB liability	\$ 1,313,745	\$ 1,488,309	\$ 1,698,458

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

For the year ended June 30, 2022, the Town recognized OPEB expense of \$129,436. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 43,284	\$ 77,347
Changes of assumptions	215,247	454
Town benefit payments and plan administrative expense subsequent to the measurement date	73,062	-
Total	\$ 331,593	\$ 77,801

\$73,062 reported as deferred outflows of resources related to OPEB resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:	
2023	\$ 32,470
2024	32,989
2025	32,989
2026	32,989
2027	23,176
Thereafter	26,117

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

**2. Other Employee Benefits**

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

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

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

<b>Source</b>	<b>Amount</b>
Pensions- differences between expected and actual experience	\$ 88,509
Pensions- changes of assumptions	201,040
Pensions- difference between projected and actual earnings	-
Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions	13,391
Contributions to pension plan in current fiscal year	120,983
Benefit payments and administrative expenses for LEOWSA made subsequent to measurement date	13,196
OPEB- differences between expected and actual experience	43,284
OPEB- changes of assumptions	215,247
Benefit payments and administrative expenses for OPEB made subsequent to measurement date	73,062
Total	<u>\$ 768,712</u>

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

<b>Source</b>	<b>Statement of Net Position</b>	<b>General Fund Balance Sheet</b>
Taxes receivable, less penalties (General Fund)	\$ -	\$ 37,839
Pensions- differences between expected and actual experience	362,815	-
Pensions- changes in assumptions	8,276	-
Pensions- changes in proportion and differences between employer contributions and proportionate share of contributions	33,382	-
OPEB- differences between expected and actual experience	77,347	-
OPEB- changes in assumptions	454	-
Total	<u>\$ 482,274</u>	<u>\$ 37,839</u>

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

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4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools the Town obtains general liability and auto liability coverage up to \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large workers' compensation claims that exceed certain dollar cost levels. Medical stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has blanket coverage up to \$5 million in flood insurance as long as it is in NFIP Flood Map Zones B, C, and X; outside of these zones, there is no coverage. There is a \$50,000 deductible.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000 and the town clerk and other employees are covered under \$10,000 bond through a blanket policy.

5. Claims, Judgements and Contingent Liabilities

At June 30, 2022, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorney, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Leases

The Town did not have any leases outstanding that were considered to be capital in nature.

b. Installment Purchases

Governmental Activities:

In April 2017, the Town entered into a \$134,031 direct placement contract to finance a 2017 Freightliner Grapple Truck. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$20,511 beginning in fiscal year 2017 with an interest rate of 1.75%.

Annual debt service payments of the installment purchase as of June 30, 2022, including \$1,033 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	19,821	690
2024	19,603	343
Total	<u>\$ 39,424</u>	<u>\$ 1,033</u>



**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

In November 2018, the Town entered into a \$88,225 direct placement contract to finance two police vehicles. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 7 annual payments of \$14,633 beginning in fiscal year 2020 with an interest rate of 3.875%.

Annual debt service payments of the installment purchase as of June 30, 2022, including \$5,262 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	12,569	2,064
2024	13,056	1,577
2025	13,559	1,074
2026	13,000	547
Total	<u>\$ 52,184</u>	<u>\$ 5,262</u>

In September 2020, the Town entered into a \$644,963 lease purchase agreement to finance a 2020 E-One Custom Typhoon Rescue Pumper, related equipment, and a 2020 Toro mower. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 12 annual payments of \$61,941 beginning in fiscal year 2021 with an interest rate of 2.250%.

Annual debt service payments of the installment purchase as of June 30, 2022, including \$83,791 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 48,475	\$ 13,466
2024	49,567	12,373
2025	50,684	11,256
2026	51,827	10,114
2027	52,994	8,946
2028-2032	283,433	26,270
2033	60,576	1,366
Total	<u>\$ 597,556</u>	<u>\$ 83,791</u>

In January 2022, the Town entered into a \$87,914 direct placement contract to finance financial software and a police car. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 5 annual payments of \$18,380 beginning in fiscal year 2022 with an interest rate of 2.27%.

Annual debt service payments of the installment purchase as of June 30, 2022, including \$3,990 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	16,802	1,578
2024	17,184	1,197
2025	17,574	807
2026	17,973	408
Total	<u>\$ 69,533</u>	<u>\$ 3,990</u>

**Business-type Activities:**

In January 2022, the Town entered into a \$44,987 direct placement contract to finance financial software. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 5 annual payments of \$9,406 beginning in fiscal year 2022 with an interest rate of 2.27%.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

Annual debt service payments of the installment purchase as of June 30, 2022, including \$2,042 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	8,598	808
2024	8,793	612
2025	8,993	413
2026	9,197	209
Total	<u>\$ 35,581</u>	<u>\$ 2,042</u>

In May 2017, the Town entered into a \$445,265 direct placement contract with the North Carolina Department of Environmental Quality to finance sanitary sewer rehabilitation improvements. The financing contract requires 20 annual payments of \$22,263 beginning in fiscal year 2018 with no interest. This debt is not secured.

Annual debt service payments of the installment purchase as of June 30, 2022 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2023	22,263
2024	22,263
2025	22,263
2026	22,263
2027	22,263
2028-2032	111,317
2033-2037	111,317
Total	<u>\$ 333,949</u>

c. Revenue Bond

\$774,000 Water and Sewer Revenue Bond, Series 2012 issues for sanitary sewer system improvements. Principal installments are due annually on June 1, beginning June 2015 with annual interest payments beginning June 2013, at an annual interest rate of 2.75%.

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	15,000	18,425
2024	15,000	18,013
2025	15,000	17,600
2026	16,000	17,188
2027	16,000	16,748
2028-2032	89,000	76,780
2033-2037	101,000	63,883
2038-2042	117,000	49,170
2043-2047	133,000	32,202
2048-2052	153,000	12,815
Total	<u>\$ 670,000</u>	<u>\$ 322,824</u>

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2022 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

Fiscal Year	General Obligation Bonds		Other Long-Term Indebtedness		Total Debt Due	
	Principle	Interest	Principle	Interest	Principle	Interest
2023	\$ -	\$ -	\$ 97,667	\$ 17,798	\$ 97,667	\$ 17,798
2024	-	-	99,411	15,490	99,411	15,490
2025	-	-	81,817	13,137	81,817	13,137
2026	-	-	82,800	11,068	82,800	11,068
2027	-	-	52,994	8,946	52,994	8,946
2028-2032	-	-	283,432	26,272	283,432	26,272
2033-2037	-	-	60,576	1,365	60,576	1,365
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 758,697</u>	<u>\$ 94,076</u>	<u>\$ 758,697</u>	<u>\$ 94,076</u>

Fiscal Year	General Obligation Bonds		Other Long-Term Indebtedness		Total Debt Due	
	Principle	Interest	Principle	Interest	Principle	Interest
2023	\$ 15,000	\$ 18,425	\$ 30,861	\$ 808	\$ 45,861	\$ 19,233
2024	15,000	18,012	31,056	612	46,056	18,624
2025	15,000	17,600	31,256	413	46,256	18,013
2026	16,000	17,188	31,460	209	47,460	17,397
2027	16,000	16,747	22,263	-	38,263	16,747
2028-2032	89,000	76,780	111,315	-	200,315	76,780
2033-2037	101,000	63,883	111,319	-	212,319	63,883
2038-2042	117,000	49,170	-	-	117,000	49,170
2043-2047	133,000	32,203	-	-	133,000	32,203
2048-2052	153,000	12,815	-	-	153,000	12,815
	<u>\$ 670,000</u>	<u>\$ 322,823</u>	<u>\$ 369,530</u>	<u>\$ 2,042</u>	<u>\$ 1,039,530</u>	<u>\$ 324,865</u>

At June 30, 2022, the Town of Haw River had bonds authorized but unissued of \$738,000 and a legal debt margin of \$11,602,889.

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
<b>Governmental activities:</b>					
Direct Placement Installment purchases	\$ 768,152	\$ 87,913	\$ 97,367	\$ 758,698	\$ 97,667
Forgivable Loan - Granite Mills	5,000,000	-	-	5,000,000	-
Compensated absences	62,650	72,806	77,070	58,386	58,386
Total OPEB liability	1,137,872	70,586	-	1,208,458	-
Net pension liability (LGERS)	479,741	-	279,173	200,568	-
Total pension liability (LEOSSA)	330,287	-	29,414	300,873	-
Governmental activity long-term liabilities	<u>\$ 7,778,702</u>	<u>\$ 231,305</u>	<u>\$ 483,024</u>	<u>\$ 7,526,983</u>	<u>\$ 156,053</u>
<b>Business-type activities:</b>					
Revenue Bonds	\$ 684,000	\$ -	\$ 14,000	\$ 670,000	\$ 15,000
Direct Placement Installment purchases	356,213	44,987	31,671	369,529	30,861
Compensated absences	22,365	13,122	14,067	21,420	13,122
Total OPEB liability	258,634	21,217	-	279,851	-
Net pension liability (LGERS)	119,523	-	83,917	35,606	-
Business-type activity long-term liabilities	<u>\$ 1,440,735</u>	<u>\$ 79,326</u>	<u>\$ 143,655</u>	<u>\$ 1,376,406</u>	<u>\$ 58,983</u>

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2022**

C. Interfund Balances and Activity

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

Due to the General Fund for the allocation of costs from the Water and Sewer Fund \$ 22,263

The interfund balances resulted from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

D. On-Behalf Payments for Fringe Benefits and Salaries

The Town has recognized as a revenue and an expenditure on-behalf payments for fringe benefits and salaries of \$5,545, for the salary supplement and stipend benefits paid to eligible firemen by the local board of trustees of the Firemen's Relief Fund during the fiscal year ended June 30, 2022. Under State law the local board of trustees for the Fund receives an amount each year which the board may use at its own discretion for eligible firemen or their departments.

E. Net Investment in Capital Assets

	<b>Governmental</b>	<b>Business-type</b>
Capital assets	\$ 2,169,362	\$ 3,980,520
Less: Long-term debt	758,698	1,039,529
Net investment in capital assets	\$ 1,410,664	\$ 2,940,991

F. 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	\$ 1,474,985
Less: Stabilization by State Statute	(253,923)
Streets - Powell Bill	(196,057)
Public Safety	(65,163)
Cultural and Recreation	(59,317)
Appropriated in 2023 budget	-
Remaining fund balance	\$ 900,525

**IV. Jointly Governed Organization**

The Town, in conjunction with twelve counties and sixty other municipalities established the Piedmont Triad Regional Council (Council). The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member and one alternate if they so desire, to the Council's governing board. The Town paid \$3,605 in general membership fees to the Council during the fiscal years ended June 30, 2022.

**V. Summary Disclosure of Significant Contingencies**

Federal and State Assisted Programs

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

**VI. Significant Effects of Subsequent Events**

In accordance with ASC 855, the Town evaluated subsequent events through January 15, 2022 the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**Town of Haw River, North Carolina**  
**Required Supplementary Information**  
**Town of Haw River's Proportionate Share of Net Pension Liability (Asset)**  
**Last Nine Fiscal Years \***  
**June 30, 2022**

**Local Government Employees' Retirement System**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Haw River's proportion of the net pension liability (asset) (%)	0.0154%	0.0168%	0.0148%	0.0148%	0.0148%
Haw River's proportion of the net pension liability (asset) (\$)	\$ 236,174	\$ 599,264	\$ 403,357	\$ 350,395	\$ 225,797
Haw River's covered payroll	\$ 1,145,753	\$ 1,111,313	\$ 1,129,476	\$ 890,724	\$ 838,049
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	20.61%	53.92%	35.71%	39.34%	26.94%
Plan fiduciary net position as a percentage of the total pension liability **	95.51%	92.60%	91.63%	94.18%	91.47%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Haw River's proportion of the net pension liability (asset) (%)	0.0131%	0.0159%	-0.0200%	0.0200%	
Haw River's proportion of the net pension liability (asset) (\$)	\$ 277,177	\$ 71,448	\$ (92,000)	\$ 186,835	
Haw River's covered payroll	\$ 823,716	\$ 900,346	\$ 867,546	\$ 829,947	
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.65%	7.94%	-10.60%	22.51%	
Plan fiduciary net position as a percentage of the total pension liability **	98.09%	99.07%	102.64%	94.35%	

**Notes to the Required Schedules**

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

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

**Town of Haw River, North Carolina  
Required Supplementary Information  
Town of Haw River's Contributions  
Nine Fiscal Years \*  
June 30, 2022**

**Local Government Employees' Retirement System**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 120,983	\$ 106,001	\$ 95,347	\$ 80,593	\$ 69,403
Contributions in relation to the contractually required contribution	<u>120,983</u>	<u>106,001</u>	<u>95,347</u>	<u>80,593</u>	<u>69,403</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Haw River's covered payroll	\$ 1,114,545	\$ 1,145,753	\$ 1,111,313	\$ 1,129,476	\$ 890,724
Contributions as a percentage of covered payroll	10.85%	9.25%	8.58%	7.14%	7.79%
<hr/>					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
Contractually required contribution	\$ 63,188	\$ 56,447	\$ 64,795	\$ 62,013	
Contributions in relation to the contractually required contribution	<u>63,188</u>	<u>56,447</u>	<u>64,795</u>	<u>62,013</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Haw River's covered payroll	\$ 838,049	\$ 823,716	\$ 900,346	\$ 867,546	
Contributions as a percentage of covered payroll	7.54%	6.85%	7.20%	7.15%	

**Notes to the Required Schedules**

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

**Town of Haw River, North Carolina**  
**Required Supplementary Information**  
**Town of Haw River's Proportionate Share of Net Pension Liability**  
**Last Eight Fiscal Years \***  
**June 30, 2022**

**Firefighters' and Rescue Squad Workers' Pension**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Haw River's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Haw River's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Haw River	<u>(22,416)</u>	<u>24,292</u>	<u>27,736</u>	<u>23,012</u>	<u>24,002</u>
Total	<u>\$ (22,416)</u>	<u>\$ 24,292</u>	<u>\$ 27,736</u>	<u>\$ 23,012</u>	<u>\$ 24,002</u>
Haw River's covered payroll	\$ 175,988	\$ 194,868	\$ 170,616	\$ 167,847	\$ 124,029
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-12.74%	12.47%	16.26%	13.71%	19.35%
Plan fiduciary net position as a percentage of the total pension liability	95.80%	92.30%	89.69%	89.35%	84.94%

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Haw River's proportionate share of the net pension liability (%)	0.00%	0.00%	0.00%
Haw River's proportionate share of the net pension liability (\$)	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town of Haw River	<u>9,738</u>	<u>9,668</u>	<u>8,052</u>
Total	<u>\$ 9,738</u>	<u>\$ 9,668</u>	<u>\$ 8,052</u>
Haw River's covered payroll	\$ 128,712	\$ 129,704	\$ 154,476
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.57%	7.45%	5.21%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	93.42%	92.76%



**Town of Haw River, North Carolina**  
**Required Supplementary Information**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 330,287	\$ 246,396	\$ 295,962	\$ 320,959	\$ 298,424
Service cost	20,789	12,874	8,571	8,917	7,827
Interest on the total pension liability	6,062	7,369	10,032	9,499	10,724
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(15,639)	20,488	(33,513)	6,308	31,244
Changes of assumptions or other inputs	(8,271)	83,864	6,048	(9,017)	13,966
Benefit payments	(32,355)	(40,704)	(40,704)	(40,704)	(41,226)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 300,873</u>	<u>\$ 330,287</u>	<u>\$ 246,396</u>	<u>\$ 295,962</u>	<u>\$ 320,959</u>

Beginning balance	<u>2017</u>
Service cost	
Interest on the total pension liability	\$ 325,121
Changes of benefit terms	7,671
Differences between expected and actual experience in the measurement of the total pension liability	10,880
Changes of assumptions or other inputs	-
Benefit payments	-
Other changes	(4,544)
Ending balance of the total pension liability	(40,704)
	-
	<u>\$ 298,424</u>

**Notes to the Required Schedules**

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.

**Town of Haw River, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 300,873	\$ 330,287	\$ 246,396	\$ 295,962	\$ 320,959
Covered payroll	448,552	406,701	315,489	320,611	306,270
Total pension liability as a percentage of covered payroll	67.08%	81.21%	78.10%	92.31%	104.80%
 <u>2017</u>  					
Total pension liability	\$ 298,424				
Covered payroll	353,791				
Total pension liability as a percentage of covered payroll	84.35%				

**Notes to the Required Schedules**

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

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

**Town of Haw River, North Carolina**  
**Schedule of Changes in Total OPEB Liability and Related Ratios**  
**June 30, 2022**

<u>Total OPEB Liability</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 74,938	\$ 59,465	\$ 55,053	\$ 40,930	\$ 43,992
Interest	31,862	45,946	45,610	36,283	31,564
Changes of benefit terms	-	-	-	44,800	-
Differences between expected and actual experience	(2,067)	(98,146)	12,121	69,775	(6,480)
Changes of assumptions or other inputs	46,848	174,375	42,045	26,819	(45,804)
Benefit payments	<u>(59,778)</u>	<u>(76,157)</u>	<u>(71,898)</u>	<u>(58,873)</u>	<u>(46,752)</u>
Net change in total OPEB liability	91,803	105,483	82,931	159,734	(23,480)
Total OPEB liability - beginning	<u>1,396,506</u>	<u>1,291,023</u>	<u>1,208,092</u>	<u>1,048,358</u>	<u>1,071,838</u>
Total OPEB liability - ending	<u>\$ 1,488,309</u>	<u>\$ 1,396,506</u>	<u>\$ 1,291,023</u>	<u>\$ 1,208,092</u>	<u>\$ 1,048,358</u>
Covered payroll	\$ 1,038,668	\$ 1,038,668	\$ 901,226	\$ 901,226	\$ 751,096
Total OPEB liability as a percentage of covered payroll	143.29%	134.45%	143.25%	134.05%	139.58%

**Notes to the Required Schedules**

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

## General Fund

Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual - General Fund  
 For the Fiscal Year Ended June 30, 2022  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<b>Revenues</b>				
<b>Ad valorem taxes:</b>				
Current year	\$ 916,626	\$ 958,681	\$ 42,055	\$ 921,125
Prior years	19,000	9,064	(9,936)	38,029
Penalties and interest	10,000	8,871	(1,129)	8,937
Total	945,626	976,616	30,990	968,091
<b>Unrestricted intergovernmental:</b>				
Local option sales taxes	766,524	637,711	(128,813)	578,927
Hold harmless distribution	105,023	128,115	23,092	106,578
Utility franchise tax	139,559	146,322	6,763	144,060
Beer and wine tax	10,674	8,969	(1,705)	10,391
Total	1,021,780	921,117	(100,663)	839,957
<b>Restricted intergovernmental:</b>				
Powell Bill allocation	55,337	65,133	9,796	59,723
Alamance County fire district tax	292,761	289,234	(3,527)	292,144
Federal grants	98,618	121,550	22,932	59,612
Care Act Funding	-	-	-	43,656
Unauthorized substance tax	397	4,189	3,792	785
Solid waste disposal tax	1,885	1,771	(114)	1,844
Total	448,998	481,877	32,879	457,765
<b>Sales and services:</b>				
Rentals	7,130	9,455	2,325	3,580
Recreation department fees	1,000	3,343	2,343	868
Refuse collection fees	128,603	126,303	(2,300)	118,757
Total	136,733	139,101	2,368	123,205
<b>Investment earnings</b>				
	3,700	1,952	(1,748)	270
<b>Other revenues:</b>				
Police Department	36,917	32,603	(4,314)	3,217
Fire department	1,100	6,397	5,297	4,174
Other revenues	54,065	69,216	15,151	25,956
Total	92,082	108,216	16,134	33,347
<b>Total revenues</b>	<b>2,648,919</b>	<b>2,628,879</b>	<b>(20,040)</b>	<b>2,422,634</b>

## General Fund

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2022

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<b><u>Expenditures</u></b>				
<b><u>General government</u></b>				
<b>Governing body:</b>				
Salaries and employee benefits	\$ 10,853	\$ 9,850	\$ 1,003	\$ 8,817
Other operating expenditures	3,220	2,097	1,123	903
Capital outlay	-	-	-	-
Total	14,073	11,947	2,126	9,720
<b>Administration:</b>				
Salaries and employee benefits	191,979	161,024	30,955	125,991
Maintenance	2,000	1,109	891	559
Other operating expenditures	232,000	209,665	22,335	217,836
Capital outlay	45,000	27,654	17,346	-
Total	470,979	399,452	71,527	344,386
<b>Public Buildings:</b>				
Other operating expenditures	38,200	33,783	4,417	27,823
Capital outlay	86,010	18,824	67,186	-
Total	124,210	52,607	71,603	27,823
<b>Non-departmental:</b>				
Special compensation	10,000	11,342	(1,342)	9,914
Insurance and bonds	98,000	88,051	9,949	89,396
Total	108,000	99,393	8,607	99,310
<b>Special appropriations:</b>				
Elections	2,000	1,915	85	-
Cemetery association	1,000	1,000	-	1,000
Animal shelter	14,887	14,872	15	14,803
Total	17,887	17,787	100	15,803
Total General Government	735,149	581,186	153,963	497,042
<b><u>Public safety</u></b>				
<b>Police:</b>				
Salaries and employee benefits	675,852	676,084	(232)	668,613
Vehicle maintenance	43,000	37,844	5,156	28,188
Other operating expenditures	87,567	96,182	(8,615)	109,789
Capital outlay	140,519	46,195	94,324	38,651
Total	946,938	856,305	90,633	845,241
<b>Fire:</b>				
Salaries and employee benefits	369,892	358,920	10,972	358,177
Vehicle maintenance	38,115	29,872	8,243	38,292
Other operating expenditures	59,850	50,441	9,409	69,485
Capital outlay	86,350	40,310	46,040	635,862
Total	554,207	479,543	74,664	1,101,816
Total Public safety	1,501,145	1,335,848	165,297	1,947,057

## General Fund

Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual - General Fund  
 For the Fiscal Year Ended June 30, 2022  
 (With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance Positive (Negative)	2021
	Budget	Actual		Actual
<b>Expenditures (continued):</b>				
<b>Transportation</b>				
<b>Streets and highways:</b>				
Salaries and employee benefits	\$ 116,537	\$ 113,188	\$ 3,349	\$ 106,660
Vehicle maintenance	7,000	6,284	716	4,971
Street lights	27,200	18,008	9,192	17,207
Contracted services	1,500	7,449	(5,949)	318,520
Other operating expenditures	74,487	18,309	56,178	41,309
Capital outlay	7,000	-	7,000	-
Total Transportation	<u>233,724</u>	<u>163,238</u>	<u>70,486</u>	<u>488,667</u>
<b>Environmental protection</b>				
<b>Solid waste:</b>				
Contracted services	122,335	117,484	4,851	116,153
Other operating expenditures	-	-	-	64
Total Environmental protection	<u>122,335</u>	<u>117,484</u>	<u>4,851</u>	<u>116,217</u>
<b>Culture and recreation</b>				
<b>Parks and recreation:</b>				
Salaries and employee benefits	101,290	86,766	14,524	86,330
Vehicle maintenance	5,508	7,984	(2,476)	3,746
Other operating expenditures	58,045	28,757	29,288	29,617
Capital outlay	-	-	-	9,388
Total Culture and recreation	<u>164,843</u>	<u>123,507</u>	<u>41,336</u>	<u>129,081</u>
<b>Debt service:</b>				
Principal	115,853	98,556	17,297	49,332
Interest	-	18,098	(18,098)	4,746
Total Debt service	<u>115,853</u>	<u>116,654</u>	<u>(801)</u>	<u>54,078</u>
<b>Total expenditures</b>	<u>2,873,049</u>	<u>2,437,917</u>	<u>435,132</u>	<u>3,232,142</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(224,130)</u>	<u>190,962</u>	<u>415,092</u>	<u>(809,508)</u>
<b>Other Financing Sources (Uses)</b>				
Installment purchase obligations issued	87,900	87,913	13	644,963
Proceeds from sale of capital assets	9,697	35,493	25,796	2,024
Transfers out	(50,910)	-	50,910	-
Contingency	(50,000)	-	50,000	-
Total other financing sources (uses)	<u>(3,313)</u>	<u>123,406</u>	<u>126,719</u>	<u>646,987</u>
<b>Fund balance appropriated</b>	<u>227,443</u>	<u>-</u>	<u>(227,443)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>314,368</u>	<u>\$ 314,368</u>	<u>(162,521)</u>
<b>Fund balance - beginning</b>		<u>1,160,617</u>		<u>1,323,138</u>
<b>Fund balance - ending</b>		<u>\$1,474,985</u>		<u>\$1,160,617</u>

Town of Haw River, North Carolina  
Special Revenue Fund - American Rescue Plan Act (APRA)  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and For the Year Ended June 30, 2022

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
Restricted intergovernmental NC Pandemic Recovery Funds	\$ 741,838	\$ -	\$ 18,404	\$ 18,404	\$ (723,434)
<b>Total revenues</b>	<u>741,838</u>	<u>-</u>	<u>18,404</u>	<u>18,404</u>	<u>(723,434)</u>
<b>Expenditures</b>					
Infrastructure expenses	723,434	-	-	-	723,434
Professional expenses	18,404	-	18,404	18,404	-
<b>Total expenditures</b>	<u>741,838</u>	<u>-</u>	<u>18,404</u>	<u>18,404</u>	<u>723,434</u>
<b>Revenues under     expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues and other     financing sources     over (under) uses</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance, July 1					
<b>Fund balance, June 30</b>			<u>\$ -</u>		

Town of Haw River, North Carolina  
Proprietary Fund Type - Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2022

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Water sales	\$1,295,641	\$1,139,381	\$ (156,260)	\$ 1,140,881
Sewer charges	790,790	752,823	(37,967)	717,133
Surcharges	900	1,200	300	1,200
Total	<u>2,087,331</u>	<u>1,893,404</u>	<u>(193,927)</u>	<u>1,859,214</u>
Taps and connection fees	5,000	-	(5,000)	20,499
Other operating revenues	39,500	42,370	2,870	35,659
Total operating revenues	<u>2,131,831</u>	<u>1,935,774</u>	<u>(196,057)</u>	<u>1,915,372</u>
<b>Nonoperating revenues:</b>				
Interest on investments	100	1,490	1,390	752
Total nonoperating revenues	<u>100</u>	<u>1,490</u>	<u>1,390</u>	<u>752</u>
Total revenues	<u>2,131,931</u>	<u>1,937,264</u>	<u>(194,667)</u>	<u>1,916,124</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Salaries and employee benefits	193,638	183,688	9,950	156,387
Supplies and materials	3,000	2,205	795	1,595
Contracted services	15,000	8,132	6,868	13,999
Other operating expenses	53,400	53,608	(208)	43,963
Capital outlay	45,000	-	45,000	-
Total	<u>310,038</u>	<u>247,633</u>	<u>62,405</u>	<u>215,944</u>
<b>Water distribution:</b>				
Salaries and employee benefits	91,449	75,561	15,888	87,680
Supplies	3,500	2,707	793	2,640
Maintenance	5,900	4,626	1,274	6,017
Water purchased for resale	781,545	832,619	(51,074)	705,380
Other operating expenditures	89,500	56,877	32,623	87,449
Capital outlay	6,500	-	6,500	-
Total	<u>978,394</u>	<u>972,390</u>	<u>6,004</u>	<u>889,166</u>
<b>Sewer collection system:</b>				
Salaries and employee benefits	78,915	84,204	(5,289)	134,864
Supplies	5,500	2,376	3,124	2,218
Maintenance	8,500	8,639	(139)	13,574
Purchase of sewer service	746,986	455,067	291,919	600,160
Other operating expenditures	75,400	57,259	18,141	106,412
Capital outlay	60,000	-	60,000	-
Total	<u>975,301</u>	<u>607,545</u>	<u>367,756</u>	<u>857,228</u>



Town of Haw River, North Carolina  
Proprietary Fund Type - Water and Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2022

Statement 3

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	2022		Variance	2021
	Budget	Actual	Positive (Negative)	Actual
<b>Expenditures (continued):</b>				
<b>Debt service:</b>				
Principal	\$ 67,089	\$ 45,669	\$ 21,420	\$ 36,263
Interest	-	18,810	(18,810)	19,195
Total	67,089	64,479	2,610	55,458
Total expenditures	2,330,822	1,892,047	438,775	2,017,796
<b>Revenues over (under) expenditures</b>	(198,891)	45,217	244,108	(101,672)
<b>Other financing sources (uses):</b>				
Installment purchase obligations issued	45,000	44,987	(13)	-
Appropriated fund balance	205,313	-	(205,313)	-
Contingency	(51,422)	-	51,422	-
Total	198,891	44,987	(153,904)	-
<b>Revenue and other sources over (under) expenditures and other uses</b>	\$ -	\$ 90,204	\$ 90,204	\$ (101,672)
 <b>Reconciliation of modified accrual basis to full accrual basis:</b>				
<b>Revenue and other sources over (under) expenditures and other uses</b>		\$ 90,204		\$ (101,672)
<b>Reconciling items:</b>				
Principal retirement		45,669		36,263
Capital outlay		-		-
Proceeds from long term debt		(44,987)		-
Depreciation		(200,084)		(201,392)
(Increase) decrease in accrued vacation		945		(2,208)
Increase (decrease) in deferred outflows of resources - pensions		5,859		20,750
(Increase) decrease in net pension liability		83,915		(46,553)
(Increase) decrease in deferred inflows of resources- pensions		(85,375)		894
Increase (decrease) in deferred outflows of resources - OPEB		3,593		29,788
(Increase) decrease in OPEB liability		(21,217)		(25,650)
(Increase) decrease in deferred inflows of resources- OPEB		4,596		(18,592)
(Increase) decrease in accrued interest payable		(319)		31
Total reconciling items		(207,405)		(206,669)
<b>Change in net position</b>		\$ (117,201)		\$ (308,341)

Town of Haw River, North Carolina  
 Lang Street Capital Project Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 From Inception and For the Year Ended June 30, 2022

Statement 4

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
NC DENR grant	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
Engineering	140,000	103,231	-	103,231	36,769
Construction administration	110,000	-	-	-	110,000
Permitting	5,000	-	-	-	5,000
Reimbursable Expenses	5,000	-	-	-	5,000
Grant/Loan Admin	30,000	-	-	-	5,000
	<u>290,000</u>	<u>103,231</u>	<u>-</u>	<u>103,231</u>	<u>30,000</u>
<b>Total expenditures</b>	<u>290,000</u>	<u>103,231</u>	<u>-</u>	<u>103,231</u>	<u>186,769</u>
<b>Revenues under expenditures</b>	<u>(290,000)</u>	<u>(103,231)</u>	<u>-</u>	<u>(103,231)</u>	<u>(186,769)</u>
<b>Other financing sources (uses):</b>					
Transfer from Water and Sewer Fund	-	-	-	-	-
Debt proceeds	290,000	-	-	-	(290,000)
	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(290,000)</u>
<b>Revenues and other financing sources over (under) uses</b>	<u>\$ -</u>	<u>\$ (103,231)</u>	<u>\$ -</u>	<u>\$ (103,231)</u>	<u>\$ (103,231)</u>

Town of Haw River, North Carolina  
Proprietary Fund Type - Stormwater Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
For the Fiscal Year Ended June 30, 2022  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2021)

	<u>2022</u>		<b>Variance Positive (Negative)</b>	<u>2021</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Stormwater fees		\$ 24,071	\$ 71	\$ 23,963
Total operating revenues	24,000	24,071	71	23,963
Total revenues	24,000	24,071	71	23,963
<b>Expenditures:</b>				
Stormwater expenditures	24,000	16,060	7,940	33,168
Total expenditures	24,000	16,060	7,940	33,168
<b>Revenues over (under) expenditures</b>	-	8,011	8,011	(9,205)
<b>Other financing sources (uses):</b>				
Appropriated fund balance	-	-	-	-
Total	-	-	-	-
<b>Revenue and other sources over (under) expenditures and other uses</b>	<u>\$ -</u>	<u>\$ 8,011</u>	<u>\$ 8,011</u>	<u>\$ (9,205)</u>

Town of Haw River, North Carolina  
 Schedule of Ad Valorem Taxes Receivable  
 June 30, 2022

Statement 6

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2022</u>
2021-2022	\$ -	\$ 973,475	\$ 961,257	\$ 12,218
2020-2021	15,034	-	7,606	7,428
2019-2020	2,898	-	1,329	1,569
2018-2019	2,051	-	502	1,549
2017-2018	1,075	-	95	980
2016-2017	555	-	-	555
2015-2016	599	-	-	599
2014-2015	578	-	14	564
2013-2014	1,300	-	21	1,279
2012-2013	1,047	-	35	1,012
2011-2012	1,348	-	1,348	-
	<u>\$ 26,485</u>	<u>\$ 973,475</u>	<u>\$ 972,207</u>	<u>27,753</u>
Less: Allowance for uncollectible accounts (General Fund)				<u>9,073</u>
<b>Ad valorem taxes receivable - net</b>				<u>\$ 18,680</u>
<b>Reconciliation with revenues:</b>				
Ad valorem taxes - General Fund			\$ 976,616	
Add (subtract):				
Interest collected				(8,871)
Other adjustments				3,114
Amount written off for tax year 2011-2012				<u>1,348</u>
<b>Total collections and credits</b>			<u>\$ 972,207</u>	

Town of Haw River, North Carolina  
 Analysis of Current Tax Levy  
 Town - Wide Levy  
 For the Fiscal Year Ended June 30, 2022

Statement 7

	<b>Town - Wide</b>			<b>Total Levy</b>	
	<u><b>Total Property</b></u>		<u><b>Amount of</b></u>	<u><b>Property</b></u>	
	<u><b>Valuation</b></u>	<u><b>Rate</b></u>	<u><b>Levy</b></u>	<u><b>Excluding</b></u>	<u><b>Registered</b></u>
				<u><b>Motor</b></u>	<u><b>Motor</b></u>
				<u><b>Vehicles</b></u>	<u><b>Vehicles</b></u>
<b>Tax levy:</b>					
Real property	\$ 154,519,841	0.63	\$ 973,475	\$ 829,232	\$ 144,243
Abatements	-	0.63	-	-	-
<b>Total property valuation</b>	<u>\$ 154,519,841</u>		<u>973,475</u>	<u>829,232</u>	<u>144,243</u>
Uncollected taxes at June 30, 2022			<u>12,218</u>	<u>12,218</u>	-
<b>Current year taxes collected</b>			<u>\$ 961,257</u>	<u>\$ 817,014</u>	<u>\$ 144,243</u>
<b>Current levy collection percentage</b>			<u>98.74%</u>	<u>98.53%</u>	<u>100.00%</u>

Town of Haw River  
Schedule of Net Position  
Water and Sewer Fund by Function  
For the Year Ended June 30, 2022

Statement 8

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,186,599	\$ (432,263)	\$ 754,336
Restricted cash and cash equivalents	44,698	62,829	107,527
Accounts receivable (net)	148,444	98,081	246,525
Total current assets	<u>1,379,741</u>	<u>(271,353)</u>	<u>1,108,388</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	104,271	104,271
Other capital assets, net of depreciation	2,040,891	1,835,359	3,876,250
Capital assets (net)	<u>2,040,891</u>	<u>1,939,630</u>	<u>3,980,521</u>
Total noncurrent assets	<u>2,040,891</u>	<u>1,939,630</u>	<u>3,980,521</u>
Total assets	<u>3,420,633</u>	<u>1,668,276</u>	<u>5,088,909</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	73,023	48,248	121,271
Total deferred outflows of resources	<u>73,023</u>	<u>48,248</u>	<u>121,271</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	53,763	35,522	89,285
Accrued interest payable	-	1,834	1,834
Customer deposits	44,698	29,534	74,232
Due to other funds	-	22,263	22,263
Compensated absences - current	7,901	5,221	13,122
Revenue bonds - current	-	15,000	15,000
Installment obligations - current	-	30,861	30,861
Total current liabilities	<u>106,362</u>	<u>140,235</u>	<u>246,597</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	4,997	3,301	8,298
Revenue bonds - noncurrent	-	655,000	655,000
Installment obligations - noncurrent	-	338,668	338,668
Net pension liability	21,440	14,166	35,606
Total OPEB liability	<u>168,511</u>	<u>111,340</u>	<u>279,851</u>
Total noncurrent liabilities	<u>194,947</u>	<u>1,122,476</u>	<u>1,317,423</u>
Total liabilities	<u>301,310</u>	<u>1,262,710</u>	<u>1,564,020</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	50,870	33,611	84,481
OPEB deferrals	9,328	6,163	15,491
Total deferred inflows of resources	<u>60,198</u>	<u>39,774</u>	<u>99,972</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,040,891	900,100	2,940,991
Restricted - USDA	-	33,295	33,295
Unrestricted	1,068,764	(496,864)	571,900
Total net position	<u>\$ 3,109,656</u>	<u>\$ 436,530</u>	<u>\$ 3,546,186</u>

Town of Haw River  
Schedule of Revenues, Expenses, and Changes in Fund Net Position  
Water and Sewer Fund by Function  
For the Year Ended June 30, 2022

Statement 9

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,139,381	\$ 752,823	\$ 1,892,204
Surcharges	-	1,200	1,200
Taps and connection fees	-	-	-
Other operating revenues	25,513	16,857	42,370
<b>Total operating revenues</b>	<u>1,164,894</u>	<u>770,880</u>	<u>1,935,774</u>
<b>OPERATING EXPENSES</b>			
Administration	152,229	100,582	252,811
Water distribution	974,879	-	974,879
Sewer collection	-	607,562	607,562
Depreciation	120,480	79,604	200,084
<b>Total operating expenses</b>	<u>1,247,587</u>	<u>787,749</u>	<u>2,035,336</u>
<b>Operating income (loss)</b>	<u>(82,694)</u>	<u>(16,868)</u>	<u>(99,562)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	897	593	1,490
Interest and other charges	-	(19,129)	(19,129)
<b>Total nonoperating revenues (expenses)</b>	<u>897</u>	<u>(18,536)</u>	<u>(17,639)</u>
<b>Change in net position</b>	(81,796)	(35,405)	(117,201)
<b>Total net position - beginning</b>	<u>3,191,452</u>	<u>471,935</u>	<u>3,663,387</u>
<b>Total net position - ending</b>	<u>\$ 3,109,656</u>	<u>\$ 436,530</u>	<u>\$ 3,546,186</u>

Town of Haw River  
Statement of Cash Flows  
Water and Sewer Fund by Function  
For the Year Ended June 30, 2022

Statement 10

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,178,429	\$ 773,796	\$ 1,952,225
Cash paid for goods and services	(894,597)	(298,787)	(1,193,383)
Cash paid to or on behalf of employees for services	(185,201)	(371,782)	(556,983)
Customer deposits received	5,731	5,349	11,080
Customer deposits refunded	(833)	(833)	(1,665)
Other operating revenues	25,513	16,857	42,370
Net cash provided (used) by operating activities	<u>129,043</u>	<u>124,601</u>	<u>253,644</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	-	-	-
Installment purchase obligations issued	22,494	22,493	44,987
Principal paid on direct placement installment purchase obligations	-	13,316	13,316
Principal paid on bond maturities	(22,494)	(36,494)	(58,987)
Interest paid on bond maturities	-	(18,810)	(18,810)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(19,495)</u>	<u>(19,495)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends	897	594	1,491
Net cash provided (used) by investing activities	<u>897</u>	<u>594</u>	<u>1,491</u>
Net increase (decrease) in cash and cash equivalents	<u>129,940</u>	<u>105,701</u>	<u>235,641</u>
Balances - beginning	1,078,864	(452,642)	626,222
Balances - ending	<u>\$ 1,208,804</u>	<u>\$ (346,941)</u>	<u>\$ 861,863</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	<u>\$ (82,694)</u>	<u>\$ (16,868)</u>	<u>\$ (99,562)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	120,480	79,604	200,084
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	39,048	19,773	58,821
(Increase) decrease in deferred outflows of resources - pensions	(4,362)	(5,089)	(9,451)
Increase (decrease) in accounts payable and accrued liabilities	46,344	30,858	77,202
Increase (decrease) in customer deposits	4,898	4,517	9,415
Increase (decrease) in accrued vacation payable	(835)	(110)	(945)
Increase (decrease) in pension liability	(51,951)	(31,966)	(83,917)
Increase (decrease) in OPEB liability	9,701	11,516	21,217
Increase (decrease) in deferred inflows of resources - pensions	51,419	33,956	85,375
Increase (decrease) in deferred inflows of resources - OPEB	(3,005)	(1,590)	(4,595)
Total adjustments	<u>211,736</u>	<u>141,470</u>	<u>353,206</u>
Net cash provided (used) by operating activities	<u>\$ 129,043</u>	<u>\$ 124,601</u>	<u>\$ 253,644</u>



**Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

To the Town Council  
Town of Haw River  
Haw River, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Haw River as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises the Town of Haw River's basic financial statements, and have issued our report thereon dated **January 15, 2022.**

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town of Haw River'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 of Haw River's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Haw River's internal control.

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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Certified Public Accountants

Graham, North Carolina

January 15, 2022