

# **Town of Haw River**

Haw River, North Carolina

## **Audited Financial Statements**

Year Ended June 30, 2024



## **Town of Haw River**

Haw River, North Carolina

### **Audited Financial Statements**

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Year Ended June 30, 2024

**Town of Haw River**  
**Haw River, North Carolina**

**June 30, 2024**

Town Council

H. Lee Lovette, Mayor

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, 2024, 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, 2024, 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.

MEMBER OF:

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • AICPA PRIVATE COMPANIES PRACTICE SECTION • NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

## ***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***

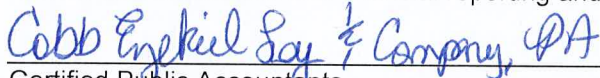
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, the Firefighters' and Rescue Squad 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 comprise the Town of Haw River's basic financial statements. The combining and individual fund financial statements, budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by the State Single Audit Implementation Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 December 31, 2024, 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  
December 31, 2024

BASIC FINANCIAL STATEMENTS

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2024**

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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, 2024. 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.

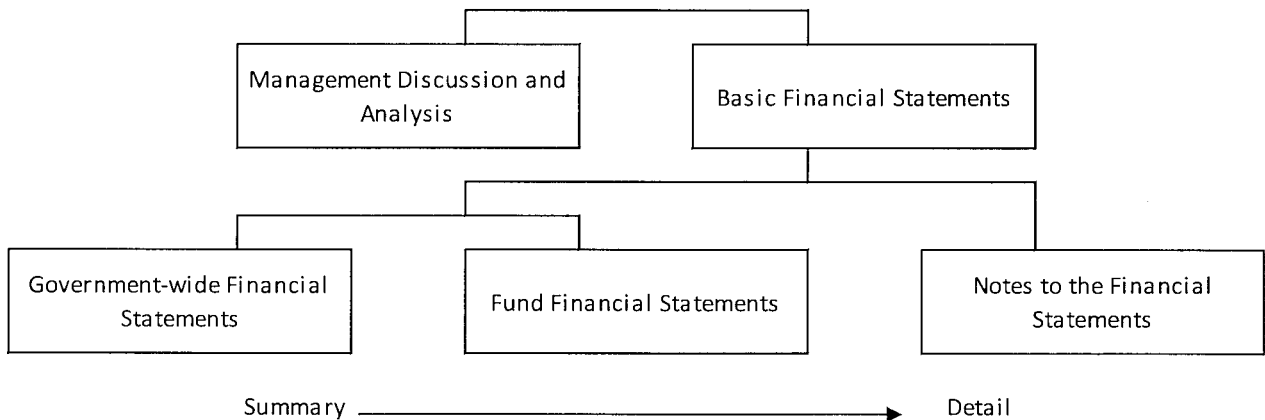
**Financial Highlights**

- 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 \$5,951,201 (*net position*).
- The government's total net position increased by \$580,609 due to an *increase* in the government type net position of \$273,985 and an *increase* in the business-type activities net position of \$306,624.
- As of the close of the current fiscal year, the Town of Haw River's governmental funds reported combined ending fund balances of \$1,664,378 with a net decrease of \$44,583 in fund balance. Approximately 49.98% of this total amount, or \$831,693, is nonspendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$832,685, or 23.39% of total general fund expenditures for the fiscal year.
- The Town of Haw River's total debt decreased \$669,631 due to principal payments made during the fiscal year offset by increases and decreases in other liabilities, and the Granite Mills loan forgiveness (see page 9 for details).

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, 2024**

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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, 2024**

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		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Current and other assets	\$ 8,476,926	\$ 2,646,903	\$ 1,979,732	\$ 1,733,418	\$ 1,489,217	\$ 1,223,095	\$ 10,210,344	\$ 4,136,120	\$ 3,202,827
Capital assets	2,391,307	2,105,807	2,169,362	3,911,280	3,787,706	3,980,520	6,302,587	5,893,513	6,149,882
Notes receivable	3,500,000	4,250,000	5,000,000	-	-	-	3,500,000	4,250,000	5,000,000
Deferred outflows of resources	762,270	677,875	647,441	149,072	131,732	121,271	911,342	809,607	768,712
Total assets and deferred outflows of resources	15,130,503	9,680,585	9,796,535	5,793,770	5,408,655	5,324,886	20,924,273	15,089,240	15,121,421
Long-term liabilities outstanding	5,813,635	6,416,570	7,370,930	1,241,994	1,264,609	1,317,423	7,055,629	7,681,179	8,688,353
Other liabilities	6,901,725	1,062,125	631,595	385,437	277,847	224,334	7,287,162	1,339,972	855,929
Deferred inflows of resources	507,748	620,177	382,302	122,533	139,080	99,972	630,281	759,257	482,274
Total liabilities and deferred inflows of resources	13,223,108	8,098,872	8,384,827	1,749,964	1,681,536	1,641,729	14,973,072	9,780,408	10,026,556
Net position:									
Net investment in capital assets	1,829,687	1,444,776	1,410,664	2,963,668	2,794,038	2,940,991	4,793,355	4,238,814	4,351,655
Restricted	831,693	784,566	574,460	33,295	33,295	33,295	864,988	817,861	607,755
Unrestricted	(753,985)	(647,629)	(573,413)	1,046,843	899,787	708,870	292,858	252,158	135,457
Total net position	\$ 1,907,395	\$ 1,581,713	\$ 1,411,711	\$ 4,043,806	\$ 3,727,120	\$ 3,683,156	\$ 5,951,201	\$ 5,308,833	\$ 5,094,867

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 \$5,951,201 as of June 30, 2024. The Town’s net position increased by \$642,368 for the fiscal year ended June 30, 2024. However, a large portion (80.54%) 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, \$864,988, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$292,858 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 98.61%. The statewide average in fiscal year 2023 was 98.96%. This resulted in an increase in property taxes of \$161,694.
- The Town also received several grants which increased their program revenues by \$450,516.

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2024**

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

	Governmental Activities			Business-type Activities			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
<b>Revenues:</b>									
Program revenues:									
Charges for services	\$ 219,436	\$ 196,414	\$ 139,101	\$ 2,319,675	\$ 2,186,136	\$ 1,959,845	\$ 2,539,111	\$ 2,382,550	\$ 2,098,946
Operating grants and contributions	406,701	292,064	131,365	-	-	-	406,701	292,064	131,365
Capital grants and contributions	386,979	51,100	98,084	-	-	-	386,979	51,100	98,084
General revenues:									
Property taxes - Ad Valorem	1,185,894	1,024,200	980,789	-	-	-	1,185,894	1,024,200	980,789
Property taxes - Fire district	316,620	322,195	289,234	-	-	-	316,620	322,195	289,234
Other taxes	1,056,921	1,061,004	921,117	-	-	-	1,056,921	1,061,004	921,117
Other	196,317	98,774	104,432	42,600	32,868	-	238,917	131,642	104,432
Investment earnings	74,283	47,698	1,952	18,141	12,195	1,490	92,424	59,893	3,442
<b>Total revenues</b>	<b>3,843,151</b>	<b>3,093,449</b>	<b>2,666,074</b>	<b>2,380,416</b>	<b>2,231,199</b>	<b>1,961,335</b>	<b>6,223,567</b>	<b>5,324,648</b>	<b>4,627,409</b>
<b>Expenses:</b>									
General government	809,026	704,205	554,990	-	-	-	809,026	704,205	554,990
Public safety	2,015,274	1,585,971	1,450,615	-	-	-	2,015,274	1,585,971	1,450,615
Transportation	298,569	324,899	236,451	-	-	-	298,569	324,899	236,451
Environmental protection	195,252	125,436	122,195	-	-	-	195,252	125,436	122,195
Economic and physical development	-	-	-	-	-	-	-	-	-
Culture and recreation	217,545	165,138	132,070	-	-	-	217,545	165,138	132,070
Interest on long-term debt	18,435	17,798	18,933	-	-	-	18,435	17,798	18,933
Water and sewer	-	-	-	2,075,908	2,172,177	2,054,465	2,075,908	2,172,177	2,054,465
Stormwater	-	-	-	12,949	15,058	16,060	12,949	15,058	16,060
<b>Total expenses</b>	<b>3,554,101</b>	<b>2,923,447</b>	<b>2,515,254</b>	<b>2,088,857</b>	<b>2,187,235</b>	<b>2,070,525</b>	<b>5,642,958</b>	<b>5,110,682</b>	<b>4,585,779</b>
Increase (decrease) in net position before transfers	289,050	170,002	150,820	291,559	43,964	(109,190)	580,609	213,966	41,630
Transfers	(15,065)	-	-	15,065	-	-	-	-	-
	273,985	170,002	150,820	306,624	43,964	(109,190)	580,609	213,966	41,630
Net position, July 1	1,581,713	1,411,711	1,260,891	3,727,120	3,683,156	3,792,346	5,308,833	5,094,867	5,053,237
Net position, restated	51,697	-	-	10,062	-	-	61,759	-	-
<b>Net position, June 30</b>	<b>\$ 1,907,395</b>	<b>\$ 1,581,713</b>	<b>\$ 1,411,711</b>	<b>\$ 4,043,806</b>	<b>\$ 3,727,120</b>	<b>\$ 3,683,156</b>	<b>\$ 5,951,201</b>	<b>\$ 5,308,833</b>	<b>\$ 5,094,867</b>

Note: 2024 Net Position has been restated to reflect prior period adjustments.

**Governmental activities.** Governmental activities increased the Town's net position by \$273,985, thereby accounting for 47.19% 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:

- Revenues increased \$749,702 over the prior year, mostly due to grant funds received.
- Expenditures increased by \$630,654 due to more capital outlay and overall increases in operating costs in the current year.

**Business-type activities.** Business-type activities increased the Town of Haw River's net position by \$291,559 accounting for 52.81% 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 \$133,539 due to an increase in the rates and usage.
- Expenses for the water and sewer fund decreased \$98,378.

**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.

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2024**

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 \$832,685, while total fund balance reached \$1,664,378. The Town currently has an available fund balance of 23.39% of total General Fund expenditures, while total fund balance represents 46.75% of that same amount.

At June 30, 2024, the governmental funds of the Town of Haw River reported a combined fund balance of \$1,664,378 with a net decrease in fund balance of \$44,583.

**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 \$905,070 and for the Stormwater Fund amounted to \$141,773. The total change in net position for the Water and Sewer Fund was an increase of \$310,128 and for the Stormwater Fund a decrease of \$3,504. 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, 2024, totals \$6,302,587 (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:

- Vehicles - \$89,604.
- Backhoe - \$115,847
- Fire department bay doors and equipment - \$145,060.

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

Figure 4

	Governmental Activities			Business-type Activities			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Land	\$ 167,968	\$ 167,968	\$ 167,968	\$ 1,040	\$ 1,040	\$ 1,040	\$ 169,008	\$ 169,008	\$ 169,008
Constuction in progress	228,038	-	-	367,190	103,232	103,232	595,228	103,232	103,232
Buildings and improvements	233,043	191,458	207,586	-	-	-	233,043	191,458	207,586
Equipment, furniture and fixtures	391,324	258,325	222,101	-	1,323	3,613	391,324	259,648	225,714
Infrastructure	619,875	662,956	663,841	-	-	-	619,875	662,956	663,841
Vehicles and motorized equipment	739,941	825,100	907,866	48,070	-	3,257	788,011	825,100	911,123
Right to use leased asset	11,118	-	-	-	-	-	11,118	-	-
Plant and distribution systems	-	-	-	3,494,980	3,682,111	3,869,378	3,494,980	3,682,111	3,869,378
<b>Total</b>	<b>\$ 2,391,307</b>	<b>\$ 2,105,807</b>	<b>\$ 2,169,362</b>	<b>\$ 3,911,280</b>	<b>\$ 3,787,706</b>	<b>\$ 3,980,520</b>	<b>\$ 6,302,587</b>	<b>\$ 5,893,513</b>	<b>\$ 6,149,882</b>

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

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2024**

**Long-term Debt.** As of June 30, 2024, the Town of Haw River had total debt outstanding of \$7,227,535. The total of \$640,000 of the Town's debt represents bonds secured by specified revenue sources (e.g. revenue bonds), \$3,500,000 represents the forgivable loan from the North Carolina Department of Commerce.

**Town of Haw River's Outstanding Debt  
Figure 5**

	Governmental Activities			Business-type Activities			Total		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
Direct placement installment purchase	\$ 561,620	\$ 661,031	\$ 758,698	\$ 307,612	\$ 338,668	\$ 369,529	\$ 869,232	\$ 999,699	\$ 1,128,227
Revenue bonds	-	-	-	640,000	655,000	670,000	640,000	655,000	670,000
Right to use leased asset	11,206	-	-	-	-	-	11,206	-	-
Forgivable loan - Granite Mills	3,500,000	4,250,000	5,000,000	-	-	-	3,500,000	4,250,000	5,000,000
Total OPEB liability	716,087	707,123	1,208,458	183,609	181,979	279,851	899,696	889,102	1,488,309
Net pension liability (LGERS)	767,897	631,198	200,568	144,367	119,676	35,606	912,264	750,874	236,174
Net pension liability (LEO)	270,516	235,730	300,873	-	-	-	270,516	235,730	300,873
Compensated absences	108,194	81,954	58,386	16,427	34,807	21,420	124,621	116,761	79,806
<b>Total</b>	<b>\$ 5,935,520</b>	<b>\$ 6,567,036</b>	<b>\$ 7,526,983</b>	<b>\$ 1,292,015</b>	<b>\$ 1,330,130</b>	<b>\$ 1,376,406</b>	<b>\$ 7,227,535</b>	<b>\$ 7,897,166</b>	<b>\$ 8,903,389</b>

The Town of Haw River's total debt decreased by \$669,631 (8.48%) during the past fiscal year due to increases in the LGERS obligations of \$131,390, increases in LEO of \$34,786, OPEB of \$10,594 and the compensated absences of \$7,860 offset by decreases due to the Granite Mills loan forgiveness of \$750,000 plus scheduled principal payments of \$145,467 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 \$20,866,799.

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:

- The federal government's attempt to stimulate the U.S. economy through the American Rescue Plan has been received as beneficial to local governments that were able to fund major projects without having to use any of their own funds. The Town has received a total of \$10,000,000.00 in ARPA funds from federal and state grants for water and sewer projects. The Haw River Fire Department received a total of \$6,100,000.00 in grant funding from the NC General Assembly to help purchase fire equipment and capital expenditures. Both the Haw River Police and Fire Department received SAFER Grants funds from the federal government to help the Town fund full and part-time staff. These grants have helped the Town of Haw River in a tremendous way.
- 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, but towards the end of the fourth quarter of 2024 the Feds have lowered interest rates due to inflation cooling off. The Feds are hoping to increase consumer spending by lowering the interest rates. The downside to this is lower sales tax revenue due to the decrease in consumer spending because of inflation. Let's hope the decrease in interest rates will do what is intended to. The Town has faced continuing increases in electricity, gas, insurance, and other operational costs without corresponding increases in revenue.

**Town of Haw River, North Carolina**  
**Management Discussion and Analysis**  
**June 30, 2024**

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- 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 2024. The Town currently has several residential development projects (two townhouse projects, two apartment projects, and one single-family subdivision projects) in the works for the years 2024-2026 which will hopefully bring in more revenue through both property and sales taxes.

**Budget Highlights for the Fiscal Year Ending June 30, 2024**

**Governmental Activities:** There are several challenges faced by management when preparing for the fiscal year ending June 30, 2024. We anticipate continued increases in health insurance, workers' compensation insurance, property and liability insurance, and operational costs due to inflation. We do project some stagnant income through property taxes and sales taxes for 2024-2025 and hope for an economic recovery with interest rates being lowered recently.

**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 \$9.4 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 did use ARP funds to install sewer meters on the Hanover Road sewer outfall and started to monitor and bill for sewer flow coming from the City of Graham. Also, the Town has committed to use 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.

**Town of Haw River, North Carolina  
Management Discussion and Analysis  
June 30, 2024**

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**Town of Haw River**  
**Statement of Net Position**  
**June 30, 2024**

**Exhibit 1**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	990,344	\$ 1,292,335	\$ 2,282,679
Taxes receivable (net)	38,479	-	38,479
Accrued interest receivable on taxes	2,979	-	2,979
Accounts receivable (net)	28,151	342,582	370,733
Due from other governments	396,519	-	396,519
Internal balances	22,263	(22,263)	-
Restricted cash and cash equivalents	6,998,191	120,764	7,118,955
Total current assets	<u>8,476,926</u>	<u>1,733,418</u>	<u>10,210,344</u>
Non-current Assets:			
Note receivable - Granite Mills	3,500,000	-	3,500,000
Capital assets:			
Land, non-depreciable improvements, and construction in progress	396,006	368,230	764,236
Right to use lease asset, net of amortization	11,118	-	11,118
Other capital assets, net of depreciation	1,984,183	3,543,050	5,527,233
Total capital assets	<u>2,391,307</u>	<u>3,911,280</u>	<u>6,302,587</u>
Total assets	<u>14,368,233</u>	<u>5,644,698</u>	<u>20,012,931</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>762,270</u>	<u>149,072</u>	<u>911,342</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	211,732	246,449	458,181
Accrued interest payable	8,751	1,499	10,250
Unearned revenue	6,559,358	-	6,559,358
Customer deposits	-	87,469	87,469
Current portion of long term liabilities	121,884	50,020	171,904
Total current liabilities	<u>6,901,725</u>	<u>385,437</u>	<u>7,287,162</u>
Long-term liabilities:			
Forgivable Loan - Granite Mills	3,500,000	-	3,500,000
Net pension liability - LGERS	767,897	144,367	912,264
Total pension liability - LEOSSA	270,516	-	270,516
Total OPEB liability	716,087	183,608	899,695
Due in more than one year	559,135	914,019	1,473,154
Total long-term liabilities	<u>5,813,635</u>	<u>1,241,994</u>	<u>7,055,629</u>
Total liabilities	<u>12,715,360</u>	<u>1,627,431</u>	<u>14,342,791</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>507,748</u>	<u>122,533</u>	<u>630,281</u>
<b>NET POSITION</b>			
Net investments in capital assets	1,829,687	2,963,668	4,793,355
Restricted for:			
Transportation	293,878	-	293,878
Public safety	31,565	-	31,565
Cultural and recreational	59,317	-	59,317
Economic development	-	-	-
USDA	-	33,295	33,295
Stabilization by State Statute	446,933	-	446,933
Unrestricted	(753,985)	1,046,843	292,858
Total net position	<u>\$ 1,907,395</u>	<u>\$ 4,043,806</u>	<u>\$ 5,951,201</u>

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, 2024**

Functions/Programs	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>Primary government:</b>							
Governmental Activities:							
General government	\$ 809,026	\$ -	\$ -	\$ -	\$ (809,026)	\$ -	\$ (809,026)
Public safety	2,015,274	-	328,658	386,979	(1,299,637)	-	(1,299,637)
Transportation	298,569	-	76,048	-	(222,521)	-	(222,521)
Economic and physical development	-	-	-	-	-	-	-
Environmental protection	195,252	195,463	1,995	-	2,206	-	2,206
Cultural and recreation	217,545	23,973	-	-	(193,572)	-	(193,572)
Interest on long-term debt	18,435	-	-	-	(18,435)	-	(18,435)
Total governmental activities	3,554,101	219,436	406,701	386,979	(2,540,985)	-	(2,540,985)
Business-type activities:							
Water and sewer	2,075,908	2,310,230	-	-	-	234,322	234,322
Stormwater	12,949	9,445	-	-	-	(3,504)	(3,504)
Total business-type activities	2,088,857	2,319,675	-	-	-	230,818	230,818
Total primary government	\$ 5,642,958	\$ 2,539,111	\$ 406,701	\$ 386,979	(2,540,985)	230,818	(2,310,167)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,185,894	-	1,185,894
Property taxes, levied for specific purpose					316,620	-	316,620
Other taxes					1,056,921	-	1,056,921
Unrestricted investment earnings					74,263	18,141	92,424
Miscellaneous					196,317	42,600	238,917
Total general revenues excluding transfers					2,830,035	60,741	2,890,776
Transfers					(15,065)	15,065	-
Total general revenues and transfers					2,814,970	75,806	2,890,776
Total change in net position					273,985	306,624	580,609
Net position - beginning, previously reported					1,581,713	3,727,120	5,308,833
Restatement					51,697	10,062	61,759
Net position, beginning, restated					1,633,410	3,737,182	5,370,592
Net position - ending					\$ 1,907,395	\$ 4,043,806	\$ 5,951,201

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2024**

**Exhibit 3**

	<b>Major Fund - General</b>	<b>ARPA Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 990,344	\$ -	\$ -	\$ 990,344
Restricted cash and cash equivalents	384,760	564,161	6,049,270	6,998,191
Receivables, (net):				
Taxes	21,688	-	-	21,688
Fire district levy	16,790	-	-	16,790
Accounts	28,151	-	-	28,151
Due from other governments	396,519	-	-	396,519
Due from other funds	22,263	-	-	22,263
Total assets	<u>\$ 1,860,515</u>	<u>\$ 564,161</u>	<u>\$ 6,049,270</u>	<u>\$ 8,473,946</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 157,659	\$ 650	\$ 53,423	\$ 211,732
Total liabilities	<u>157,659</u>	<u>650</u>	<u>53,423</u>	<u>211,732</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned revenue	-	563,511	5,995,847	6,559,358
Property taxes receivable	21,688	-	-	21,688
Fire district taxes receivable	16,790	-	-	16,790
Total deferred inflows of resources	<u>38,478</u>	<u>563,511</u>	<u>5,995,847</u>	<u>6,597,836</u>
<b>FUND BALANCES</b>				
Restricted				
Stabilization by State Statute	446,933	-	-	446,933
Transportation	293,878	-	-	293,878
Public safety	31,565	-	-	31,565
Cultural and recreation	59,317	-	-	59,317
Economic development	-	-	-	-
Assigned				
Subsequent year's expenditures	-	-	-	-
Unassigned, General Fund	832,685	-	-	832,685
Total fund balances	<u>1,664,378</u>	<u>-</u>	<u>-</u>	<u>1,664,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,860,515</u>	<u>\$ 564,161</u>	<u>\$ 6,049,270</u>	<u>\$ 8,473,946</u>

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2024**

**Exhibit 3**

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

Total fund balance, governmental funds.....	\$	1,664,378
Capital and right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital and right to use leased assets at historical cost.....	6,683,841	
Accumulated depreciation and amortization.....	<u>(4,292,534)</u>	2,391,307
Deferred outflows of resources related to pensions are not reported in the funds.....		545,147
Deferred outflows of resources related to OPEB are not reported in the funds.....		217,123
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.....	2,979	
Notes receivable.....	<u>3,500,000</u>	3,502,979
Earned revenues considered deferred inflows of resources in fund statements.....		38,478
Deferred inflows of resources related to pensions are not reported in the funds.....		(56,608)
Deferred inflows of resources related to OPEB are not reported in the funds.....		(451,139)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		
Notes payable.....	(4,061,619)	
Lease payable.....	(11,206)	
Compensated absences.....	(108,194)	
Net pension liability - LGERS.....	(767,897)	
Total pension liability - LEOSSA.....	(270,516)	
OPEB liability.....	<u>(716,087)</u>	(5,935,519)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.....		(8,751)
<b>Net Position of Governmental Activities.....</b>		<u><u>\$ 1,907,395</u></u>

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, 2024**

	<b>Major Fund - General</b>	<b>ARPA Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,180,859	\$ -	\$ -	\$ 1,180,859
Unrestricted intergovernmental	1,056,921	-	-	1,056,921
Restricted intergovernmental	751,266	155,352	104,153	1,010,771
Sales and services	219,436	-	-	219,436
Investment earnings	74,283	-	-	74,283
Other revenues	231,343	-	-	231,343
Total revenues	3,514,108	155,352	104,153	3,773,613
<b>Expenditures:</b>				
Current:				
General government	777,316	-	-	777,316
Public safety	1,871,585	-	104,153	1,975,738
Transportation	359,743	-	-	359,743
Economic and physical development	-	139,002	-	139,002
Environmental protection	190,541	-	-	190,541
Cultural and recreation	245,180	-	-	245,180
Debt service:				
Principal	99,411	-	-	99,411
Interest and other charges	16,700	-	-	16,700
Total expenditures	3,560,476	139,002	104,153	3,803,631
Revenues over (under) expenditures	(46,368)	16,350	-	(30,018)
Other financing sources (uses):				
Installment purchase obligations issued	-	-	-	-
Transfers out	1,285	(16,350)	-	(15,065)
Sale of capital assets	500	-	-	500
Total other financing sources (uses)	1,785	(16,350)	-	(14,565)
Net change in fund balance	(44,583)	-	-	(44,583)
Fund balance, beginning	1,708,961	-	-	1,708,961
Fund balance, ending	\$ 1,664,378	\$ -	\$ -	\$ 1,664,378

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

**Town of Haw River  
Balance Sheet  
Governmental Funds  
June 30, 2024**

**Exhibit 4**

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

Net change in fund balances - total governmental funds	\$	(44,583)
<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.....	\$ 530,480	
Depreciation expense for governmental assets.....	<u>(256,096)</u>	274,384
Amortization expense for intangible assets.....		(2,779)
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.....		151,361
Benefit payments paid and administrative costs for LEOSA are deferred outflows of resources on the Statement of Activities		5,557
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		79,285
<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.....	4,614	
Change in accrued interest receivable on taxes.....	<u>421</u>	5,035
<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 lease debt issued.....		
New long-term debt issued.....	-	
Principal payments on long-term debt.....	99,411	
Decrease in accrued interest payable.....	<u>1,389</u>	100,800
<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>		
Right to use leased asset.....	3,036	
Compensated absences.....	(23,395)	
Pension expense.....	(218,096)	
LEO pension expense.....	(26,705)	
OPEB plan expense.....	<u>(26,879)</u>	(295,075)
<b>Total changes in net position of governmental activities .....</b>		<u>\$ 273,985</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, 2024**

<b>General Fund</b>				Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>Revenues:</b>				
Ad valorem taxes	1,511,976	\$ 1,207,793	\$ 1,180,859	\$ (26,934)
Unrestricted intergovernmental	1,206,404	1,228,204	1,056,921	(171,283)
Restricted intergovernmental	187,270	1,115,946	751,266	(364,680)
Sales and services	216,680	216,180	219,436	3,256
Investment earnings	2,900	47,900	74,283	26,383
Other revenues	79,100	296,996	231,343	(65,653)
Total revenues	3,204,330	4,113,019	3,514,108	(598,911)
<b>Expenditures:</b>				
Current:				
General government	508,530	918,289	777,316	140,973
Public safety	1,593,270	2,482,337	1,871,585	610,752
Transportation	274,051	467,598	359,743	107,855
Environmental protection	193,034	198,034	190,541	7,493
Cultural and recreation	256,520	281,370	245,180	36,190
Non-Departmental	379,925	-		
Debt service:				
Principal and interest	-	116,655	116,111	544
Total expenditures	3,205,330	4,464,283	3,560,476	903,807
Revenues over (under) expenditures	(1,000)	(351,264)	(46,368)	304,896
Other financing sources (uses):				
Installment purchase obligations issued	-	-	-	-
Sale of capital assets	1,000	1,000	500	(500)
Transfers in (out)	-	(39,518)	1,285	40,803
Contingency	-	(50,000)	-	50,000
Total other financing sources (uses)	1,000	(88,518)	1,785	90,303
Appropriated fund balance	-	439,782	-	(439,782)
Net change in fund balance	\$ -	\$ -	(44,583)	\$ (44,583)
Fund balances:				
Beginning of year - July 1			1,708,961	
End of year - June 30			\$ 1,664,378	

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, 2024**

**Exhibit 6**

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,155,040	137,295	\$ 1,292,335
Restricted cash and cash equivalents	120,764	-	120,764
Accounts receivable (net)	338,003	4,579	342,582
Total current assets	<u>1,613,807</u>	<u>141,874</u>	<u>1,755,681</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	368,230	-	368,230
Other capital assets, net of depreciation	3,543,050	-	3,543,050
Capital assets (net)	<u>3,911,280</u>	<u>-</u>	<u>3,911,280</u>
Total noncurrent assets	<u>3,911,280</u>	<u>-</u>	<u>3,911,280</u>
Total assets	<u>5,525,087</u>	<u>141,874</u>	<u>5,666,961</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	149,072	-	149,072
Total deferred outflows of resources	<u>149,072</u>	<u>-</u>	<u>149,072</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	246,348	101	246,449
Accrued interest payable	1,499	-	1,499
Customer deposits	87,469	-	87,469
Due to other funds	22,263	-	22,263
Current portion of long term liabilities	50,020	-	50,020
Total current liabilities	<u>407,599</u>	<u>101</u>	<u>407,700</u>
Noncurrent liabilities:			
Net pension liability	144,367	-	144,367
Total OPEB liability	183,608	-	183,608
Due in more than one year	914,019	-	914,019
Total noncurrent liabilities	<u>1,241,994</u>	<u>-</u>	<u>1,241,994</u>
Total liabilities	<u>1,649,593</u>	<u>101</u>	<u>1,649,694</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	30,132	-	30,132
OPEB deferrals	92,401	-	92,401
Total deferred inflows of resources	<u>122,533</u>	<u>-</u>	<u>122,533</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,963,668	-	2,963,668
Restricted - USDA	33,295	-	33,295
Unrestricted	905,070	141,773	1,046,843
Total net position	<u>\$ 3,902,033</u>	<u>\$ 141,773</u>	<u>\$ 4,043,806</u>

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

**Town of Haw River**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2024**

Exhibit 7

	<b>Water and Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,263,955	\$ -	\$ 2,263,955
Surcharges	660	-	660
Taps and connection fees	-	-	-
Other operating revenues	45,615	9,445	55,060
<b>Total operating revenues</b>	<u>2,310,230</u>	<u>9,445</u>	<u>2,319,675</u>
<b>OPERATING EXPENSES</b>			
Administration	170,399	-	170,399
Water distribution	996,676	-	996,676
Sewer collection	701,970	-	701,970
Stormwater	-	12,949	12,949
Depreciation	188,454	-	188,454
<b>Total operating expenses</b>	<u>2,057,499</u>	<u>12,949</u>	<u>2,070,448</u>
<b>Operating income (loss)</b>	<u>252,731</u>	<u>(3,504)</u>	<u>249,227</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	60,740	-	60,740
Interest and other charges	(18,408)	-	(18,408)
<b>Total nonoperating revenues (expenses)</b>	<u>42,332</u>	<u>-</u>	<u>42,332</u>
<b>Income (loss) before transfers</b>	295,063	(3,504)	291,559
Transfers	15,065	-	15,065
<b>Change in net position</b>	310,128	(3,504)	306,624
<b>Total net position - beginning, previously reported</b>	3,581,843	145,277	3,727,120
Restatement	10,062	-	10,062
<b>Net position - beginning, restated</b>	<u>3,591,905</u>	<u>145,277</u>	<u>3,737,182</u>
<b>Total net position - ending</b>	<u>\$ 3,902,033</u>	<u>\$ 141,773</u>	<u>\$ 4,043,806</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, 2024**

Exhibit 8

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,197,143	\$ 7,883	\$ 2,205,026
Cash paid for goods and services	(1,323,539)	(13,028)	(1,336,567)
Cash paid to or on behalf of employees for services	(461,065)	-	(461,065)
Customer deposits received	13,000	-	13,000
Other operating revenues	45,615	-	45,615
Net cash provided (used) by operating activities	<u>471,154</u>	<u>(5,145)</u>	<u>466,009</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers	15,065	-	15,065
Prior period adjustment	10,062	-	10,062
	<u>25,127</u>	<u>-</u>	<u>25,127</u>
Acquisition and construction of capital assets	(312,025)	-	(312,025)
Principal paid on direct placement installment purchase obligations	(31,057)	-	(31,057)
Principal paid on bond maturities	(15,000)	-	(15,000)
Interest paid on bond maturities	(18,625)	-	(18,625)
Net cash provided (used) by capital and related financing activities	<u>(376,707)</u>	<u>-</u>	<u>(376,707)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends	60,738	-	60,738
Net cash provided (used) by investing activities	<u>60,738</u>	<u>-</u>	<u>60,738</u>
Net increase (decrease) in cash and cash equivalents	<u>180,312</u>	<u>(5,145)</u>	<u>175,167</u>
Balances - beginning	1,095,492	142,440	1,237,932
Balances - ending	<u>\$ 1,275,804</u>	<u>\$ 137,295</u>	<u>\$ 1,413,099</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 252,731	\$ (3,504)	\$ 249,227
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	188,454	-	188,454
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	(67,472)	(1,562)	(69,034)
(Increase) decrease in deferred outflows of resources - pensions	(17,340)	-	(17,340)
Increase (decrease) in accounts payable and accrued liabilities	110,387	(79)	110,308
Increase (decrease) in customer deposits	13,000	-	13,000
Increase (decrease) in accrued vacation payable	(18,380)	-	(18,380)
Increase (decrease) in pension liability	24,691	-	24,691
Increase (decrease) in OPEB liability	1,630	-	1,630
Increase (decrease) in deferred inflows of resources - pensions	(2,953)	-	(2,953)
Increase (decrease) in deferred inflows of resources - OPEB	(13,594)	-	(13,594)
Total adjustments	<u>218,423</u>	<u>(1,641)</u>	<u>216,782</u>
Net cash provided (used) by operating activities	<u>\$ 471,154</u>	<u>\$ (5,145)</u>	<u>\$ 466,009</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, 2024**

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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.

**Fire Department Addition and Equipment Capital Project Fund.** This fund is used to account for the transactions related to the Fire Department grant expenditures.

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.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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The Town reports the following non-major enterprise fund:

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

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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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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 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

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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 Restricted Cash**

Governmental Activities		2024
General Fund	Public safety	\$ 31,565
	Cultural and recreation	59,317
	Transportation	293,878
Special Revenue Fund	ARPA	564,161
Capital Project Fund		6,049,270
Total Governmental Activities		<u>6,998,191</u>
Business-type Activities		
Water and Sewer Fund	Customer deposits	87,469
	USDA Reservation	33,295
Total Business-type Activities		<u>120,764</u>
Total Restricted Cash		<u>\$ 7,118,955</u>

**4. Ad Valorem Taxes Receivable**

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

**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, 2024**

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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. 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 2024 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.

9. 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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide 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, 2024**

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11. 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, 2024**

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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.

*12. 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.

*13. 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, 2024, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing body for non-departmental expenditures by \$911. These over-expenditures occurred due to the increased amount required to be paid to the Alamance County Board of Elections. Management will more closely review expenditures to ensure the budget is sufficient to cover the full amount.

**B. Revised Fidelity Bond Requirement**

The Town's finance officer is not bonded for the appropriate amount in accordance with the updated provisions of G.S. 159-29. The fidelity bond requirement states the minimum finance officer fidelity bond should be based on the annually budgeted funds amounts for the fiscal year covered by the bond. Under the revised statute the bond may not be less than the greater of \$50,000 or an amount equal to 10% of the annually budgeted funds.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

**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 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, 2024 the Town's deposits had a carrying amount of \$7,558,944, and a bank balance of \$7,854,728. Of the bank balance, \$251,484 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2024, the Town's petty cash fund totaled \$250.

2. Investments

At June 30, 2024, the Town's investment balances were as follows:

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2024</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust				
- Governmental Portfolio	Fair Value-Level 1	\$ 1,842,440	N/A	AAAm
Total		<u>\$ 1,842,440</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, 2024.

*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, 2024, 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, 2024**

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, 2024 are net of the following allowances for doubtful accounts:

General Fund:	
Taxes receivable - allowance	\$ 9,066
Fire Districts levy - allowance	2,797
Garbage receivable - allowance	6,876
Total	18,739
Enterprise Funds:	
Accounts receivable	44,211
Total allowances	\$ 62,950

4. Capital Assets

Capital asset activity for the Governmental Activities for the year ended June 30, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 167,968	\$ -	\$ -	\$ 167,968
Construction in progress	-	228,038	-	228,038
Total capital assets not being depreciated	167,968	228,038	-	396,006
<b>Capital assets being depreciated:</b>				
Buildings and improvements	932,259	58,664	-	990,923
Equipment, furniture and fixtures	1,873,813	202,243	-	2,076,056
Infrastructure	1,638,814	-	-	1,638,814
Vehicles and motorized equipment	1,526,610	41,535	-	1,568,145
Total capital assets being depreciated	5,971,496	302,442	-	6,273,938
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	740,801	17,079	-	757,880
Equipment, furniture and fixtures	1,615,488	69,244	-	1,684,732
Infrastructure	975,858	43,081	-	1,018,939
Vehicles and motorized equipment	701,510	126,694	-	828,204
Total accumulated depreciation	4,033,657	256,098	-	4,289,755
Total capital assets being depreciated, net	1,937,839	46,344	-	1,984,183
<b>Capital assets being amortized:</b>				
Right to use assets: equipment	-	13,897	-	13,897
<b>Less accumulated amortization for:</b>				
Right to use assets: equipment	-	2,779	-	2,779
Total capital assets being amortized, net	-	11,118	-	11,118
<b>Governmental activity capital assets, net</b>	\$ 2,105,807	\$ 285,500	\$ -	\$ 2,391,307

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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

General government	34,326
Public safety	158,229
Transportation	50,940
Recreation	10,671
Environmental protection	4,711
Total depreciation expense	\$ 258,877

Capital asset activity for the Business-type Activities for the year ended June 30, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Water and Sewer Fund</i>				
<b>Capital assets not being depreciated</b>				
Land	\$ 1,040	\$ -	\$ -	\$ 1,040
Construction in progress	103,232	263,958	-	367,190
Total capital assets not being depreciated	104,272	263,958	-	368,230
<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	48,070	-	129,112
Total capital assets being depreciated	9,577,080	48,070	-	9,625,150
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	5,604,756	187,130	-	5,791,886
Equipment, furniture and fixtures	207,848	1,324	-	209,172
Vehicles and motorized equipment	81,042	-	-	81,042
Total accumulated depreciation	5,893,646	\$ 188,454	\$ -	6,082,100
Total capital assets being depreciated, net	3,683,434			3,543,050
<b>Business-type activities capital assets, net</b>	\$ 3,787,706			\$ 3,911,280

The Town has active construction projects as of June 30, 2024. 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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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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).

*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, 2023, was 14.04% of compensation for law enforcement officers and 12.85% 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 \$178,034 for the year ended June 30, 2024.

*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, 2024, the Town reported a liability of \$912,264 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2023 (measurement date), the Town's proportion was 0.01377%, which was an increase of .00046% from its proportion measured as of June 30, 2022.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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For the year ended June 30, 2024, the Town recognized pension expense of \$256,824. At June 30, 2024, 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	\$ 101,653	\$ 2,188
Changes of assumptions	38,766	-
Net difference between projected and actual earnings on pension plan investments	244,162	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	31,138	34,650
Town contributions subsequent to the measurement date	178,034	-
Total	<u>\$ 593,753</u>	<u>\$ 36,838</u>

\$178,034 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, 2024. 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:	
2025	\$127,283
2026	68,718
2027	172,556
2028	10,324
2029	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2022 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, 2022 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.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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, 2024 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	33.0%	2.4%
Global Equity	38.0%	6.9%
Real Estate	8.0%	6.0%
Alternatives	8.0%	8.6%
Credit	7.0%	5.3%
Inflation Protection	6.0%	4.3%
Total	<u>100.0%</u>	

The information above is based on 30 year expectations developed with the consulting actuary for the 2021 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 2.38%. 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:

	<b>1% Decrease (5.5%)</b>	<b>Discount Rate (6.5%)</b>	<b>1% Increase (7.5%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,580,462	\$ 912,264	\$ 362,141

*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.

**Town of Haw River, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2024**

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, 2022 the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	8
Total	9

*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, 2022 valuation. The total pension liability in the December 31, 2022 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 inflation and productivity factor
Discount rate	4.00

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. 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 \$13,337 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, 2024, the Town reported a total pension liability of \$270,516. The total pension liability was measured as of December 31, 2023 based on a December 31, 2022 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2023 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2024, the Town recognized pension expense of \$26,847.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,317	\$ 16,824
Changes of assumptions	22,528	33,079
Town benefit payments and plan administrative expense subsequent to the measurement date	5,557	-
Total	<u>\$ 48,402</u>	<u>\$ 49,903</u>

\$5,557 reported as deferred outflows of resources related to pensions result from benefit payments made and administrative expenses incurred subsequent to the measurement date. 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:	
2025	\$ 9,207
2026	(11,409)
2027	(9,305)
2028	(1,144)
2029	4,053
Thereafter	1,540

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 4.00 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 (3.00%) or 1-percentage-point higher (5.00%) than the current rate:

	<u>1% Decrease (3.00%)</u>	<u>Discount Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
Total pension liability	\$ 295,066	\$ 270,516	\$ 248,199

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

	2024
Beginning Balance	\$ 235,730
Service Cost	12,392
Interest on the total pension liability	9,873
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	19,193
Changes of assumptions or other inputs	6,665
Benefit payments	(13,337)
Other changes	-
Ending Balance of the total pension liability	<u>\$ 270,516</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, 2022 valuation were based on the results of an actuarial experience study from the five year period ending December 31, 2020.

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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***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	\$ 256,824	\$ 26,847	\$ 283,671
Pension Liability	912,264	270,516	1,182,780
Proportionate share of the net pension liability	0.01377%	n/a	
<u>Deferred Outflows of Resources</u>			
Differences between expected and actual experience	101,653	20,317	121,970
Changes of assumptions	38,766	22,528	61,294
Net difference between projected and actual earnings on plan investments	244,162	-	244,162
Changes in proportion and differences between contributions and proportionate share of contributions	31,138	-	31,138
Benefit payments and administrative costs paid subsequent to the measurement date	178,034	5,557	183,591
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	2,188	16,824	19,012
Changes of assumptions	-	33,079	33,079
Changes in proportion and differences between contributions and proportionate share of contributions	34,650	-	34,650

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, 2024 were \$29,382, which consisted of \$23,569 from the Town and \$5,812, 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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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ended June 30, 2024 were \$58,525, which consisted of \$42,569 from the Town and \$15,956, respectively, from the employees.

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, 2024, the State contributed \$19,702,208 to the plan. The Town of Haw River's proportionate share of the State's contribution is \$1,562.

*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, 2024, 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 \$1,506. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. The total pension liability was then rolled forward to the measurement date of June 30, 2023 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, 2024 and at June 30, 2023 was 0%.

For the year ended June 30, 2024, the Town recognized pension expense of \$3,187 and revenue of \$3,187 for support provided by the State. At June 30, 2024, 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, 2022 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, 2024**

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Inflation	2.5 percent
Salary increases	Not applicable
Investment rate of return	6.5 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 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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 based of 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%

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, 2024**

Membership of the HCB Plan consisted of the following at June 30, 2022, the date of the latest actuarial valuation:

	<b>General Employees</b>	<b>Law Enforcement Officers</b>
Retirees and dependents receiving benefits	3	1
Active plan members	14	7
<b>Total</b>	17	8

**Total OPEB Liability**

The Town's total OPEB liability of \$899,695 was measured as of June 30, 2023 and was determined by an actuarial valuation at June 30, 2022.

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

Inflation	2.5 percent
Salary increases	3.25 to 8.41 percent, including inflation
Discount rate	3.65 percent
Healthcare cost trend rates	Pre-Medicare 7.00% for 2022 decreasing to an ultimate rate of 4.50% by 2032

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**

	<b>Total OPEB Liability</b>
<b>Beginning balance</b>	\$ 889,102
<b>Changes for the year:</b>	
Service Cost	42,752
Interest	31,744
Changes of benefit terms	-
Changes between expected and actual experience	16,037
Changes in assumptions or other inputs	(9,056)
Benefit payments	(70,884)
<b>Net changes</b>	10,593
<b>Ending balance</b>	\$ 899,695

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2022 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, 2022 valuation were based on a review of a recent plan experience done concurrently with the June 30, 2022 valuation.

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

*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 (2.65%)</b>	<b>Discount Rate (3.65%)</b>	<b>1% Increase (4.65%)</b>
Total OPEB liability	\$ 987,170	\$ 899,695	\$ 823,201

*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	\$ 798,754	\$ 899,695	\$ 1,022,924

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$23,757. At June 30, 2024, 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	\$ 37,188	\$ 470,096
Changes of assumptions	146,121	73,444
Town benefit payments and plan administrative expense subsequent to the measurement date	85,878	-
<b>Total</b>	<b>\$ 269,187</b>	<b>\$ 543,540</b>

\$85,878 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, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (50,739)
2026	(50,739)
2027	(60,552)
2028	(68,066)
2029	(73,273)
Thereafter	(56,862)

**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

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**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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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. 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 \$500,000 and the town clerk and other employees are covered under \$10,000 bond through a blanket policy.

4. Claims, Judgements and Contingent Liabilities

At June 30, 2024, 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.

5. Long-Term Obligations

a. Capital Leases

The Town has entered into an agreement to lease a copier. The lease agreement qualifies as other than a short-term lease under GASB 87, and therefore is recorded at the present value of the future minimum lease payments as of the date of its inception.

The lease agreement was executed on April 28, 2023, to lease a copier and requires 60 monthly payments of \$253. An initial lease liability was recorded in the amount of \$13,897. The value of the lease liability is \$11,206 at June 30, 2024. The net book value of the right to use asset is \$11,118 at June 30, 2024.

b. Installment Purchases

Governmental Activities:

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

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%. This Debt matured during the current fiscal year.

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, 2024, including \$1,621 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	13,559	1,074
2026	13,000	547
Total	<u>\$ 26,559</u>	<u>\$ 1,621</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, 2024, including \$57,952 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	50,684	11,256
2026	51,827	10,114
2027	52,994	8,946
2028	54,189	7,752
2029	55,410	6,351
2029-2033	234,410	13,533
Total	<u>\$ 499,514</u>	<u>\$ 57,952</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, 2024, including \$2,412 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	17,574	807
2026	17,973	408
Total	<u>\$ 35,547</u>	<u>\$ 1,215</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, 2024**

Annual debt service payments of the installment purchase as of June 30, 2024, including \$622 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2025	8,993	413
2026	9,197	209
Total	<u>\$ 18,190</u>	<u>\$ 622</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, 2024 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2025	22,263
2026	22,263
2027	22,263
2028	22,263
2029	22,263
2030-2034	111,317
2035-2037	66,789
Total	<u>\$ 289,421</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:

2025	15,000	17,600
2026	16,000	17,188
2027	16,000	16,748
2028	17,000	16,308
2029	17,000	15,840
2030-2034	94,000	71,830
2035-2039	107,000	58,245
2040-2044	123,000	42,653
2045-2049	141,000	24,778
2050-2052	94,000	5,198
Total	<u>\$ 640,000</u>	<u>\$ 286,388</u>

The following table summarizes the annual requirements to amortize all long-term liabilities outstanding at June 30, 2024 (excluding compensated absences, pension liabilities, OPEB liabilities, and any claims or judgments).

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

Fiscal Year	General Obligation Bonds		Other Long-Term Indebtedness		Total Debt Due	
	Principle	Interest	Principle	Interest	Principle	Interest
<b>Serviced by General Fund:</b>						
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	-	-	54,189	7,752	54,189	7,752
2029	-	-	55,410	6,531	55,410	6,531
2030-2033	-	-	234,409	13,353	234,409	13,353
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 561,619</u>	<u>\$ 60,787</u>	<u>\$ 561,619</u>	<u>\$ 60,787</u>
<b>Serviced by Water &amp; Sewer Fund:</b>						
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	17,000	16,308	22,263	-	39,263	16,308
2029	17,000	15,840	22,263	-	39,263	15,840
2030-2034	94,000	71,829	111,317	-	205,317	71,829
2035-2039	107,000	58,241	66,789	-	173,789	58,241
2040-2044	123,000	42,654	-	-	123,000	42,654
2045-2049	141,000	24,779	-	-	141,000	24,779
2050-2052	94,000	5,198	-	-	94,000	5,198
	<u>\$ 640,000</u>	<u>\$ 286,384</u>	<u>\$ 307,611</u>	<u>\$ 622</u>	<u>\$ 947,611</u>	<u>\$ 287,006</u>

At June 30, 2024, the Town of Haw River had bonds authorized but unissued of \$738,000 and a legal debt margin of \$20,866,799.

d. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
<b>Governmental activities:</b>					
Direct Placement Installment purchases	\$ 661,031	\$ -	\$ 99,411	\$ 561,620	\$ 81,817
Lease liability	-	13,897	2,691	11,206	2,737
Forgivable Loan - Granite Mills	4,250,000	-	750,000	3,500,000	-
Compensated absences	81,954	65,701	39,461	108,194	37,330
Total OPEB liability	707,123	8,964	-	716,087	-
Net pension liability (LGERS)	631,198	136,699	-	767,897	-
Total pension liability (LEOSSA)	235,730	34,786	-	270,516	-
Governmental activity long-term liabilities	<u>\$ 6,567,036</u>	<u>\$ 260,047</u>	<u>\$ 891,563</u>	<u>\$ 5,935,520</u>	<u>\$ 121,884</u>
<b>Business-type activities:</b>					
Revenue Bonds	\$ 655,000	\$ -	\$ 15,000	\$ 640,000	\$ 15,000
Direct Placement Installment purchases	338,668	-	31,056	307,612	31,256
Compensated absences	34,807	2,894	21,274	16,427	3,764
Total OPEB liability	181,979	1,630	-	183,609	-
Net pension liability (LGERS)	119,676	24,691	-	144,367	-
Business-type activity long-term liabilities	<u>\$ 1,330,130</u>	<u>\$ 29,215</u>	<u>\$ 67,330</u>	<u>\$ 1,292,015</u>	<u>\$ 50,020</u>

**Town of Haw River, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2024**

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2024, 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 \$3,187, 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, 2024. 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	\$ 2,391,307	\$ 3,911,280
Less: Long-term debt	561,620	947,612
Net investment in capital assets	\$ 1,829,687	\$ 2,963,668

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	\$ 1,664,378
Less: Stabilization by State Statute	(446,933)
Streets - Powell Bill	(293,878)
Public Safety	(31,565)
Cultural and Recreation	(59,317)
Appropriated in 2025 budget	-
Remaining fund balance	\$ 832,685

G. Prior Period Adjustment

During the fiscal year ended June 30, 2024, the Town discovered the LGERS contributions reported in the prior year audit had been understated by \$61,759. This resulted in the deferred outflows of resources being understated by \$51,697 for the governmental funds and \$10,062 for the proprietary funds. This understatement has been reported as a prior period adjustment on the government-wide statements.

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**Town of Haw River, North Carolina  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2024**

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**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 \$552 in general membership fees to the Council during the fiscal years ended June 30, 2024.

**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 December 31, 2024 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 Ten Fiscal Years \***  
**June 30, 2024**

**Local Government Employees' Retirement System**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Haw River's proportion of the net pension liability (asset) (%)	0.0138%	0.0133%	0.0154%	0.0168%	0.0148%
Haw River's proportion of the net pension liability (asset) (\$)	\$ 912,264	\$ 750,874	\$ 236,174	\$ 599,264	\$ 403,357
Haw River's covered payroll	\$ 1,443,907	\$ 1,215,102	\$ 1,114,545	\$ 1,145,753	\$ 1,111,313
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	63.18%	61.80%	21.19%	52.30%	36.30%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	84.14%	95.51%	92.60%	91.63%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Haw River's proportion of the net pension liability (asset) (%)	0.0148%	0.0148%	0.0131%	0.0159%	-0.0200%
Haw River's proportion of the net pension liability (asset) (\$)	\$ 350,395	\$ 225,797	\$ 277,177	\$ 71,448	\$ (92,000)
Haw River's covered payroll	\$ 1,129,476	\$ 890,724	\$ 838,049	\$ 823,716	\$ 900,346
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.02%	25.35%	33.07%	8.67%	-10.22%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.47%	98.09%	99.07%	102.64%

**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  
Ten Fiscal Years \*  
June 30, 2024**

**Local Government Employees' Retirement System**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contribution	\$ 178,034	\$ 106,556	\$ 120,983	\$ 106,001	\$ 95,347
Contributions in relation to the contractually required contribution	<u>178,034</u>	<u>106,556</u>	<u>120,983</u>	<u>106,001</u>	<u>95,347</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Haw River's covered payroll	\$ 1,443,907	\$ 1,215,102	\$ 1,114,545	\$ 1,145,753	\$ 1,111,313
Contributions as a percentage of covered payroll	12.33%	8.77%	10.85%	9.25%	8.58%

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 80,593	\$ 69,403	\$ 63,188	\$ 56,447	\$ 64,795
Contributions in relation to the contractually required contribution	<u>80,593</u>	<u>69,403</u>	<u>63,188</u>	<u>56,447</u>	<u>64,795</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Haw River's covered payroll	\$ 1,129,476	\$ 890,724	\$ 838,049	\$ 823,716	\$ 900,346
Contributions as a percentage of covered payroll	7.14%	7.79%	7.54%	6.85%	7.20%

**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 Nine Fiscal Years \***  
**June 30, 2024**

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</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>1,506</u>	<u>14,384</u>	<u>(22,416)</u>	<u>24,292</u>	<u>27,736</u>
Total	<u>\$ 1,506</u>	<u>\$ 14,384</u>	<u>\$ (22,416)</u>	<u>\$ 24,292</u>	<u>\$ 27,736</u>
Haw River's covered payroll	\$ 243,393	\$ 185,041	\$ 175,988	\$ 194,868	\$ 170,616
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.62%	7.77%	-12.74%	12.47%	16.26%
Plan fiduciary net position as a percentage of the total pension liability	89.69%	89.69%	95.80%	92.30%	89.69%

	<u>2019</u>	<u>2018</u>	<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%	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>23,012</u>	<u>24,002</u>	<u>9,738</u>	<u>9,668</u>	<u>8,052</u>
Total	<u>\$ 23,012</u>	<u>\$ 24,002</u>	<u>\$ 9,738</u>	<u>\$ 9,668</u>	<u>\$ 8,052</u>
Haw River's covered payroll	\$ 167,847	\$ 124,029	\$ 128,712	\$ 129,704	\$ 154,476
Haw River's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.71%	19.35%	7.57%	7.45%	5.21%
Plan fiduciary net position as a percentage of the total pension liability	89.35%	84.94%	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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 235,730	\$ 300,873	\$ 330,287	\$ 246,396	\$ 295,962
Service cost	12,392	16,487	20,789	12,874	8,571
Interest on the total pension liability	9,873	6,473	6,062	7,369	10,032
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	19,193	(15,406)	(15,639)	20,488	(33,513)
Changes of assumptions or other inputs	6,665	(46,306)	(8,271)	83,864	6,048
Benefit payments	(13,337)	(26,391)	(32,355)	(40,704)	(40,704)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 270,516</u>	<u>\$ 235,730</u>	<u>\$ 300,873</u>	<u>\$ 330,287</u>	<u>\$ 246,396</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance			
Service cost			
Interest on the total pension liability	\$ 320,959	\$ 298,424	\$ 325,121
Changes of benefit terms	8,917	7,827	7,671
Differences between expected and actual experience in the measurement of the total pension liability	9,499	10,724	10,880
Changes of assumptions or other inputs	-	-	-
Benefit payments	6,308	31,244	-
Other changes	(9,017)	13,966	(4,544)
Ending balance of the total pension liability	(40,704)	(41,226)	(40,704)
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 295,962</u>	<u>\$ 320,959</u>	<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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 270,516	\$ 235,730	\$ 300,873	\$ 330,287	\$ 246,396
Covered payroll	430,949	483,399	448,552	406,701	315,489
Total pension liability as a percentage of covered payroll	62.77%	48.77%	67.08%	81.21%	78.10%

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 295,962	\$ 320,959	\$ 298,424
Covered payroll	320,611	306,270	353,791
Total pension liability as a percentage of covered payroll	92.31%	104.80%	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, 2024**

<u>Total OPEB Liability</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Service cost	\$ 42,752	\$ 72,733	\$ 74,938	\$ 59,465	\$ 55,053
Interest	31,744	33,136	31,862	45,946	45,610
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	16,037	(562,234)	(2,067)	(98,146)	12,121
Changes of assumptions or other inputs	(9,056)	(88,612)	46,848	174,375	42,045
Benefit payments	<u>(70,884)</u>	<u>(54,230)</u>	<u>(59,778)</u>	<u>(76,157)</u>	<u>(71,898)</u>
Net change in total OPEB liability	10,593	(599,207)	91,803	105,483	82,931
Total OPEB liability - beginning	<u>889,102</u>	<u>1,488,309</u>	<u>1,396,506</u>	<u>1,291,023</u>	<u>1,208,092</u>
Total OPEB liability - ending	<u>\$ 899,695</u>	<u>\$ 889,102</u>	<u>\$ 1,488,309</u>	<u>\$ 1,396,506</u>	<u>\$ 1,291,023</u>
Covered payroll	\$ 934,366	\$ 934,366	\$ 1,038,668	\$ 1,038,668	\$ 901,226
Total OPEB liability as a percentage of covered payroll	96.29%	95.16%	143.29%	134.45%	143.25%
<u>Total OPEB Liability</u>	<u>2019</u>	<u>2018</u>			
Service cost	\$ 40,930	\$ 43,992			
Interest	36,283	31,564			
Changes of benefit terms	44,800	-			
Differences between expected and actual experience	69,775	(6,480)			
Changes of assumptions or other inputs	26,819	(45,804)			
Benefit payments	<u>(58,873)</u>	<u>(46,752)</u>			
Net change in total OPEB liability	159,734	(23,480)			
Total OPEB liability - beginning	<u>1,048,358</u>	<u>1,071,838</u>			
Total OPEB liability - ending	<u>\$ 1,208,092</u>	<u>\$ 1,048,358</u>			
Covered payroll	\$ 901,226	\$ 751,096			
Total OPEB liability as a percentage of covered payroll	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>
2024	3.65%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

Town of Haw River, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2024  
(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

Statement 1

	<u>2024</u>		<b>Variance Positive (Negative)</b>	<u>2023</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues</b>				
<b>Ad valorem taxes:</b>				
Current year	\$ 1,136,000	\$1,106,950	\$ (29,050)	\$ 995,265
Prior years	61,793	62,554	761	22,373
Penalties and interest	10,000	11,355	1,355	10,880
Total	<u>1,207,793</u>	<u>1,180,859</u>	<u>(26,934)</u>	<u>1,028,518</u>
<b>Unrestricted intergovernmental:</b>				
Local option sales taxes	926,414	729,825	(196,589)	738,992
Hold harmless distribution	136,186	156,886	20,700	157,470
Utility franchise tax	154,647	158,141	3,494	152,632
Beer and wine tax	10,957	12,069	1,112	11,911
Total	<u>1,228,204</u>	<u>1,056,921</u>	<u>(171,283)</u>	<u>1,061,004</u>
<b>Restricted intergovernmental:</b>				
Powell Bill allocation	72,426	76,048	3,622	72,426
Alamance County fire district tax	346,183	316,620	(29,563)	322,195
Federal grants	665,820	281,377	(384,443)	87,853
State grants	29,500	75,000	45,500	104,149
Unauthorized substance tax	-	227	227	1,652
Solid waste disposal tax	2,017	1,995	(22)	1,986
Total	<u>1,115,946</u>	<u>751,266</u>	<u>(364,680)</u>	<u>590,260</u>
<b>Sales and services:</b>				
Rentals	4,100	3,600	(500)	3,798
Recreation department fees	4,800	20,373	15,573	5,435
Refuse collection fees	207,280	195,463	(11,817)	137,181
Total	<u>216,180</u>	<u>219,436</u>	<u>3,256</u>	<u>146,414</u>
<b>Investment earnings</b>				
	<u>47,900</u>	<u>74,283</u>	<u>26,383</u>	<u>47,698</u>
<b>Other revenues:</b>				
Police Department	4,750	4,087	(663)	14,014
Fire department	-	3,262	3,262	56,272
Other revenues	292,246	223,994	(68,252)	94,933
Recreation grant	-	-	-	50,000
Total	<u>296,996</u>	<u>231,343</u>	<u>(65,653)</u>	<u>215,219</u>
<b>Total revenues</b>	<u>4,113,019</u>	<u>3,514,108</u>	<u>(598,911)</u>	<u>3,089,113</u>
<b>Expenditures</b>				
<b>General government</b>				
<b>Governing body:</b>				
Salaries and employee benefits	12,369	11,394	975	8,545
Other operating expenditures	3,300	1,397	1,903	2,062
Capital outlay	-	-	-	-
Total	<u>15,669</u>	<u>12,791</u>	<u>2,878</u>	<u>10,607</u>

## General Fund

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

For the Fiscal Year Ended June 30, 2024

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

	2024		Variance Positive (Negative)	2023
	Budget	Actual		Actual
<b><u>Expenditures (continued)</u></b>				
<b>Administration:</b>				
Salaries and employee benefits	\$ 250,886	\$ 280,568	\$ (29,682)	\$ 247,826
Maintenance	6,500	4,463	2,037	7,198
Other operating expenditures	392,682	301,534	91,148	225,431
Capital outlay	2,000	-	2,000	6,835
Total	652,068	586,565	65,503	487,290
<b>Public Buildings:</b>				
Other operating expenditures	38,400	29,102	9,298	59,456
Capital outlay	38,400	-	38,400	13,206
Total	76,800	29,102	47,698	72,662
<b>Non-departmental:</b>				
Special compensation	10,000	2,904	7,096	61,844
Insurance and bonds	145,750	127,041	18,709	98,789
Total	155,750	129,945	25,805	160,633
<b>Special appropriations:</b>				
Elections	2,000	3,912	(1,912)	-
Cemetery association	1,000	-	1,000	-
Animal shelter	15,002	15,001	1	11,764
Total	18,002	18,913	(911)	11,764
Total General Government	918,289	777,316	140,973	742,956
<b><u>Public safety</u></b>				
<b>Police:</b>				
Salaries and employee benefits	1,031,745	874,692	157,053	724,533
Vehicle maintenance	50,934	41,881	9,053	43,705
Other operating expenditures	134,440	150,696	(16,256)	96,907
Capital outlay	19,400	16,850	2,550	64,797
Total	1,236,519	1,084,119	152,400	929,942
<b>Fire:</b>				
Salaries and employee benefits	651,325	513,188	138,137	357,436
Vehicle maintenance	47,500	36,553	10,947	31,291
Other operating expenditures	416,150	179,061	237,089	79,549
Capital outlay	130,843	58,664	72,179	39,797
Total	1,245,818	787,466	458,352	508,073
Total Public safety	2,482,337	1,871,585	610,752	1,438,015

General Fund

Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual - General Fund  
For the Fiscal Year Ended June 30, 2024

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

	2024		Variance Positive (Negative)	2023
	Budget	Actual		Actual
<b><u>Expenditures (continued):</u></b>				
<b><u>Transportation</u></b>				
<b>Streets and highways:</b>				
Salaries and employee benefits	\$ 200,945	\$ 166,802	\$ 34,143	\$ 139,252
Vehicle maintenance	12,000	11,760	240	10,612
Street lights	32,680	29,799	2,881	23,390
Contracted services	2,000	3,485	(1,485)	2,000
Other operating expenditures	62,600	32,050	30,550	20,289
Capital outlay	157,373	115,847	41,526	28,917
Total Transportation	<u>467,598</u>	<u>359,743</u>	<u>107,855</u>	<u>224,460</u>
<b><u>Environmental protection</u></b>				
<b>Solid waste:</b>				
Contracted services	198,034	190,541	7,493	120,725
Other operating expenditures	-	-	-	-
Total Environmental protection	<u>198,034</u>	<u>190,541</u>	<u>7,493</u>	<u>120,725</u>
<b><u>Culture and recreation</u></b>				
<b>Parks and recreation:</b>				
Salaries and employee benefits	141,690	127,878	13,812	113,564
Vehicle maintenance	14,000	12,735	1,265	9,291
Other operating expenditures	54,150	63,032	(8,882)	32,865
Capital outlay	71,530	41,535	29,995	61,340
Total Culture and recreation	<u>281,370</u>	<u>245,180</u>	<u>36,190</u>	<u>217,060</u>
<b>Debt service:</b>				
Principal	116,655	99,411	17,244	97,667
Interest	-	16,700	(16,700)	19,195
Total Debt service	<u>116,655</u>	<u>116,111</u>	<u>544</u>	<u>116,862</u>
<b>Total expenditures</b>	<u>4,464,283</u>	<u>3,560,476</u>	<u>903,807</u>	<u>2,860,078</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(351,264)</u>	<u>(46,368)</u>	<u>304,896</u>	<u>229,035</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	1,000	500	(500)	4,941
Transfers out	(39,518)	1,285	40,803	-
Contingency	(50,000)	-	50,000	-
Total other financing sources (uses)	<u>(88,518)</u>	<u>1,785</u>	<u>90,303</u>	<u>4,941</u>
<b>Fund balance appropriated</b>	<u>439,782</u>	<u>-</u>	<u>(439,782)</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(44,583)</u>	<u>\$ (44,583)</u>	<u>233,976</u>
<b>Fund balance - beginning</b>		<u>1,708,961</u>		<u>1,474,985</u>
<b>Fund balance - ending</b>		<u>\$1,664,378</u>		<u>\$1,708,961</u>

Town of Haw River, North Carolina  
Special Revenue Fund - American Rescue Plan Act (ARPA)  
Schedule of Revenues and Expenditures  
Budget and Actual (Non-GAAP)  
From Inception and For the Year Ended June 30, 2024

Statement 2

	Project Authori- zation	Actual		Total To Date	Variance Positive (Negative)
		Prior Year	Current Year		
<b>Revenues</b>					
Restricted intergovernmental					
NC Pandemic Recovery Funds	\$ 807,898	\$ 89,036	\$ 155,352	\$ 244,388	\$ (563,510)
<b>Total revenues</b>	<u>807,898</u>	<u>89,036</u>	<u>155,352</u>	<u>244,388</u>	<u>(563,510)</u>
<b>Expenditures</b>					
Infrastructure expenses	789,494	70,633	139,002	209,635	579,859
Professional expenses	18,404	18,403	-	18,403	1
<b>Total expenditures</b>	<u>807,898</u>	<u>89,036</u>	<u>139,002</u>	<u>228,038</u>	<u>579,860</u>
<b>Revenues under expenditures</b>	<u>-</u>	<u>-</u>	<u>16,350</u>	<u>16,350</u>	<u>16,350</u>
<b>Other financing sources (uses):</b>					
Transfer to General Fund	-	-	(1,285)	(1,285)	(1,285)
Transfer to WS Capital Project Fund	-	-	(15,065)	(15,065)	(15,065)
	<u>-</u>	<u>-</u>	<u>(16,350)</u>	<u>(16,350)</u>	<u>(16,350)</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  
 Capital Project Fund - Fire Department Addition and Equipment  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)  
 From Inception and For the Year Ended June 30, 2024

	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
<b>Revenues</b>					
Restricted intergovernmental					
NC General Assembly (ARP)	\$ 6,100,000	\$ -	104,153	\$ 104,153	\$ 5,995,847
<b>Total revenues</b>	<u>6,100,000</u>	<u>-</u>	<u>104,153</u>	<u>104,153</u>	<u>5,995,847</u>
<b>Expenditures</b>					
Professional Services	100,000	-	4,373	4,373	95,627
Departmental Supplies	50,000	-	13,384	13,384	36,616
Contracted Services	335,000	-	-	-	335,000
Capital Outlay Buildings	3,625,000	-	-	-	3,625,000
Capital Outlay Other Improvements	125,000	-	-	-	125,000
Capital Outlay Equipment	165,000	-	86,396	86,396	78,604
Capital Outlay Vehicles	1,250,000	-	-	-	1,250,000
Debt Service	450,000	-	-	-	450,000
<b>Total expenditures</b>	<u>6,100,000</u>	<u>-</u>	<u>104,153</u>	<u>104,153</u>	<u>5,995,847</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)

Statement 4

For the Fiscal Year Ended June 30, 2024

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

	<b>2024</b>		<b>Variance Positive (Negative)</b>	<b>2023</b>
	<b>Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Water sales	\$ 1,417,798	\$ 1,275,542	\$ (142,256)	\$ 1,228,291
Sewer charges	996,986	988,413	(8,573)	816,333
Surcharges	1,000	660	(340)	1,200
Total	<u>2,415,784</u>	<u>2,264,615</u>	<u>(151,169)</u>	<u>2,045,824</u>
Taps and connection fees	5,000	-	(5,000)	9,021
Other operating revenues	44,225	45,615	1,390	140,793
Total operating revenues	<u>2,465,009</u>	<u>2,310,230</u>	<u>(154,779)</u>	<u>2,195,638</u>
<b>Nonoperating revenues:</b>				
Miscellaneous income	42,599	42,599	-	-
Interest on investments	16,500	18,141	1,641	12,195
Total nonoperating revenues	<u>59,099</u>	<u>60,740</u>	<u>1,641</u>	<u>12,195</u>
Total revenues	<u>2,524,108</u>	<u>2,370,970</u>	<u>(153,138)</u>	<u>2,207,833</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Salaries and employee benefits	237,875	118,852	119,023	101,070
Supplies and materials	3,000	16,267	(13,267)	1,813
Contracted services	15,000	1,803	13,197	1,625
Other operating expenses	120,300	26,564	93,736	98,740
Capital outlay	-	-	-	-
Total	<u>376,175</u>	<u>163,486</u>	<u>212,689</u>	<u>203,248</u>
<b>Water distribution:</b>				
Salaries and employee benefits	127,393	86,209	41,184	91,395
Supplies	4,000	5,948	(1,948)	4,934
Maintenance	9,200	2,265	6,935	2,074
Water purchased for resale	900,393	870,023	30,370	856,545
Other operating expenditures	210,900	49,035	161,865	106,885
Capital outlay	49,599	48,069	1,530	-
Total	<u>1,301,485</u>	<u>1,061,549</u>	<u>239,936</u>	<u>1,061,833</u>
<b>Sewer collection system:</b>				
Salaries and employee benefits	102,825	96,132	6,693	83,079
Supplies	5,500	5,347	153	4,126
Maintenance	9,500	8,002	1,498	5,887
Purchase of sewer service	471,022	506,816	(35,794)	504,517
Other operating expenditures	107,500	91,668	15,832	69,329
Capital outlay	75,000	-	75,000	-
Total	<u>771,347</u>	<u>707,965</u>	<u>63,382</u>	<u>666,938</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, 2024

Statement 4

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

	<u>2024</u>		<b>Variance Positive (Negative)</b>	<u>2023</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Expenditures (continued):</b>				
<b>Debt service:</b>				
Principal	\$ 67,495	\$ 46,056	\$ 21,439	\$ 45,861
Interest	-	18,625	(18,625)	19,233
Total	<u>67,495</u>	<u>64,681</u>	<u>2,814</u>	<u>65,094</u>
Total expenditures	<u>2,516,502</u>	<u>1,997,681</u>	<u>518,821</u>	<u>1,997,113</u>
<b>Revenues over (under) expenditures</b>	<u>7,606</u>	<u>373,289</u>	<u>365,683</u>	<u>210,720</u>
<b>Other financing sources (uses):</b>				
Installment purchase obligations issued	-	-	-	-
Appropriated fund balance	38,000	-	(38,000)	-
Transfer (to) from	-	(120,867)	(120,867)	-
Contingency	(45,606)	-	45,606	-
Total	<u>(7,606)</u>	<u>(120,867)</u>	<u>(113,261)</u>	<u>-</u>
<b>Revenue and other sources over (under) expenditures and other uses</b>	<u>\$ -</u>	<u>\$ 252,422</u>	<u>\$ 252,422</u>	<u>\$ 210,720</u>
 <b>Reconciliation of modified accrual basis to full accrual basis:</b>				
<b>Revenue and other sources over (under) expenditures and other uses</b>		\$ 252,422		\$ 210,720
<b>Reconciling items:</b>				
Principal retirement		46,056		45,861
Capital outlay		48,069		-
Proceeds from long term debt		-		-
Depreciation		(188,454)		(192,814)
(Increase) decrease in accrued vacation		18,380		(13,387)
Increase (decrease) in deferred outflows of resources - pensions		9,686		18,099
(Increase) decrease in net pension liability		(24,691)		(84,070)
(Increase) decrease in deferred inflows of resources- pensions		2,953		51,396
Increase (decrease) in deferred outflows of resources - OPEB		(2,407)		(7,638)
(Increase) decrease in OPEB liability		(1,630)		97,873
(Increase) decrease in deferred inflows of resources- OPEB		13,594		(90,504)
(Increase) decrease in accrued interest payable		218		121
Transfers from capital project		135,932		-
Total reconciling items		<u>57,706</u>		<u>(175,063)</u>
<b>Change in net position</b>		<u>\$ 310,128</u>		<u>\$ 35,657</u>

Town of Haw River, North Carolina  
 Water and Sewer Capital Projects Fund  
 Schedule of Revenues and Expenditures  
 Budget and Actual (Non-GAAP)

Statement 5

From Inception and For the Year Ended June 30, 2024

Revenues	Project Authori- zation	Actual			Variance Positive (Negative)
		Prior Year	Current Year	Total To Date	
NC General Assembly ARPA Grant	\$ 3,500,000	\$ -	\$ -	\$ -	\$(3,500,000)
NC DEQ - Small Waterline Project					
NC General Assembly ARPA Grant -	5,000,000	-	-	-	(5,000,000)
NCDEQ - Lang Street Pump Station Project					
NCDEQ - Asset Inventory Assessment Grants:					
Water	250,000	-	-	-	(250,000)
Sewer	150,000	-	-	-	(150,000)
NC General Assembly - NCDEQ					
Amy Galey Grant	525,000	-	-	-	(525,000)
<b>Total revenues</b>	<u>9,425,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,425,000)</u>
<b>Expenditures</b>					
<b>Small Waterline Project</b>					
Engineering	315,000	28,470	123,011	151,481	163,519
Construction administration	85,000	-	-	-	85,000
Construction	3,100,000	-	-	-	3,100,000
Total Expenditures	<u>3,500,000</u>	<u>28,470</u>	<u>123,011</u>	<u>151,481</u>	<u>3,348,519</u>
<b>Lang Street Pump Station Replacement</b>					
Engineering	224,000	74,761	48,101	122,862	101,138
Construction administration	242,000	-	-	-	242,000
Construction	4,534,000	-	-	-	4,534,000
Total Expenditures	<u>5,000,000</u>	<u>74,761</u>	<u>48,101</u>	<u>122,862</u>	<u>4,877,138</u>
<b>Asset Inventory Assessment Projects</b>					
Water Engineering	250,000	-	9,267	9,267	240,733
Sewer Engineering	150,000	-	83,579	83,579	66,421
Total Expenditures	<u>400,000</u>	<u>-</u>	<u>92,846</u>	<u>92,846</u>	<u>307,154</u>
<b>Water and Sewer Improvement Projects</b>					
Amy Galey Grant - Improvements	525,000	-	-	-	525,000
<b>Grand total expenditures</b>	<u>9,425,000</u>	<u>103,231</u>	<u>263,958</u>	<u>367,189</u>	<u>9,057,811</u>
<b>Revenues under expenditures</b>	<u>-</u>	<u>(103,231)</u>	<u>(263,958)</u>	<u>(367,189)</u>	<u>(367,189)</u>
<b>Other financing sources (uses):</b>					
Transfer from Water & Sewer Fund	-	-	120,867	120,867	120,867
Transfer from ARP fund	-	-	15,065	15,065	15,065
	<u>-</u>	<u>-</u>	<u>135,932</u>	<u>135,932</u>	<u>135,932</u>
<b>Revenues and other financing financing sources over (under) uses</b>	<u>\$ -</u>	<u>\$ (103,231)</u>	<u>\$ (128,026)</u>	<u>\$ (231,257)</u>	<u>\$ (231,257)</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, 2024

Statement 6

(With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023)

	<u>2024</u>		<b>Variance Positive (Negative)</b>	<u>2023</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues:</b>				
<b>Operating revenues:</b>				
Stormwater fees	\$ 24,000	\$ 9,445	\$ (14,555)	\$ 23,365
Total operating revenues	<u>24,000</u>	<u>9,445</u>	<u>(14,555)</u>	<u>23,365</u>
Total revenues	<u>24,000</u>	<u>9,445</u>	<u>(14,555)</u>	<u>23,365</u>
<b>Expenditures:</b>				
Stormwater expenditures	<u>24,000</u>	<u>12,949</u>	<u>11,051</u>	<u>15,058</u>
Total expenditures	<u>24,000</u>	<u>12,949</u>	<u>11,051</u>	<u>15,058</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(3,504)</u>	<u>(3,504)</u>	<u>8,307</u>
<b>Other financing sources (uses):</b>				
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenue and other sources over (under)     expenditures and other uses</b>	<u>\$ -</u>	<u>\$ (3,504)</u>	<u>\$ (3,504)</u>	<u>\$ 8,307</u>

Town of Haw River, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2024

Statement 7

<u>Fiscal Year</u>	<u>Uncollected Balance 6/30/2023</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance 6/30/2024</u>			
2023-2024	\$	1,178,563	\$	1,162,226	\$	16,337	
2022-2023	14,358	-	7,815	6,543			
2021-2022	3,817	-	920	2,897			
2020-2021	1,929	-	438	1,491			
2019-2020	927	-	275	652			
2018-2019	877	-	109	768			
2017-2018	395	-	-	395			
2016-2017	519	-	-	519			
2015-2016	594	-	-	594			
2014-2015	559	-	-	559			
2013-2014	1,248	-	1,248	-			
	<u>\$</u>	<u>25,223</u>	<u>\$</u>	<u>1,178,563</u>	<u>\$</u>	<u>1,173,031</u>	<u>30,755</u>
Less: Allowance for uncollectible accounts (General Fund)					<u>9,067</u>		
<b>Ad valorem taxes receivable - net</b>					<u>\$</u>	<u>21,688</u>	
<b>Reconciliation with revenues:</b>							
Ad valorem taxes - General Fund				\$	1,180,858		
Add (subtract):							
Interest collected					(11,355)		
Other adjustments					2,279		
Amount written off for tax year 2012-2013					<u>1,248</u>		
<b>Total collections and credits</b>				<u>\$</u>	<u>1,173,030</u>		

Town of Haw River, North Carolina  
 Analysis of Current Tax Levy  
 Town - Wide Levy  
 For the Fiscal Year Ended June 30, 2024

Statement 8

	<b>Town - Wide</b>			<b>Total Levy</b>	
	<u><b>Total Property</b></u>	<u><b>Rate</b></u>	<u><b>Amount of</b></u>	<u><b>Property</b></u>	<u><b>Registered</b></u>
	<u><b>Valuation</b></u>		<u><b>Levy</b></u>	<u><b>Excluding</b></u>	<u><b>Motor</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	\$ 267,855,227	0.63	\$ 1,178,563	\$ 1,058,045	\$ 120,518
Abatements	-	0.63	-	-	-
<b>Total property valuation</b>	<u>\$ 267,855,227</u>		<u>1,178,563</u>	<u>1,058,045</u>	<u>120,518</u>
Uncollected taxes at June 30, 2023			<u>16,337</u>	<u>16,337</u>	-
<b>Current year taxes collected</b>			<u>\$ 1,162,226</u>	<u>\$ 1,041,708</u>	<u>\$ 120,518</u>
<b>Current levy collection percentage</b>			<u>98.61%</u>	<u>98.46%</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, 2023

Statement 9

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,551,901	\$ (396,861)	\$ 1,155,040
Restricted cash and cash equivalents	49,281	71,483	120,764
Accounts receivable (net)	190,435	147,568	338,003
Total current assets	<u>1,791,617</u>	<u>(177,810)</u>	<u>1,613,807</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	-	368,230	368,230
Other capital assets, net of depreciation	1,866,951	1,676,099	3,543,050
Capital assets (net)	<u>1,866,951</u>	<u>2,044,329</u>	<u>3,911,280</u>
Total noncurrent assets	<u>1,866,951</u>	<u>2,044,329</u>	<u>3,911,280</u>
Total assets	<u>3,658,568</u>	<u>1,866,519</u>	<u>5,525,087</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	83,989	65,083	149,072
Total deferred outflows of resources	<u>83,989</u>	<u>65,083</u>	<u>149,072</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	138,796	107,552	246,348
Accrued interest payable	-	1,499	1,499
Customer deposits	49,281	38,188	87,469
Due to other funds	-	22,263	22,263
current portion of long term debt	7,172	42,848	50,020
Total current liabilities	<u>195,249</u>	<u>212,350</u>	<u>407,599</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	7,135	5,528	12,663
Revenue bonds - noncurrent	-	625,000	625,000
Installment obligations - noncurrent	-	276,355	276,355
Net pension liability	81,338	63,029	144,367
Total OPEB liability	<u>103,448</u>	<u>80,161</u>	<u>183,609</u>
Total noncurrent liabilities	<u>191,920</u>	<u>1,050,074</u>	<u>1,241,994</u>
Total liabilities	<u>387,169</u>	<u>1,262,424</u>	<u>1,649,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	16,977	13,155	30,132
OPEB deferrals	52,060	40,341	92,401
Total deferred inflows of resources	<u>69,037</u>	<u>53,496</u>	<u>122,533</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,866,951	1,096,718	2,963,668
Restricted - USDA	-	33,295	33,295
Unrestricted	1,413,486	(508,417)	905,069
Total net position	<u>\$ 3,280,437</u>	<u>\$ 621,596</u>	<u>\$ 3,902,033</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, 2023

Statement 10

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,275,542	\$ 988,413	\$ 2,263,955
Surcharges	-	660	660
Taps and connection fees	-	-	-
Other operating revenues	25,700	19,915	45,615
<b>Total operating revenues</b>	<u>1,301,242</u>	<u>1,008,988</u>	<u>2,310,230</u>
<b>OPERATING EXPENSES</b>			
Administration	100,716	69,683	170,399
Water distribution	996,676	-	996,676
Sewer collection	-	701,970	701,970
Depreciation	106,177	82,277	188,454
<b>Total operating expenses</b>	<u>1,203,570</u>	<u>853,929</u>	<u>2,057,499</u>
<b>Operating income (loss)</b>	<u>97,672</u>	<u>155,059</u>	<u>252,731</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	34,222	26,518	60,740
Interest and other charges	-	(18,408)	(18,408)
<b>Total nonoperating revenues (expenses)</b>	<u>34,222</u>	<u>8,110</u>	<u>42,332</u>
<b>Income (loss) before transfers</b>	131,894	163,169	295,063
Transfers	8,488	6,577	15,065
<b>Change in net position</b>	<u>140,382</u>	<u>169,746</u>	<u>310,128</u>
<b>Total net position - beginning , previously reported</b>	3,134,386	447,457	3,581,843
Restatement	5,669	4,393	10,062
<b>Net position, beginning, restated</b>	<u>3,140,055</u>	<u>451,850</u>	<u>3,591,905</u>
<b>Total net position - ending</b>	<u>\$ 3,280,437</u>	<u>\$ 621,596</u>	<u>\$ 3,902,033</u>

Town of Haw River  
Statement of Cash Flows  
Water and Sewer Fund by Function  
For the Year Ended June 30, 2023

Statement 11

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 1,247,626	\$ 949,517	\$ 2,197,143
Cash paid for goods and services	(887,102)	(436,437)	(1,323,539)
Cash paid to or on behalf of employees for services	(180,624)	(280,441)	(461,065)
Customer deposits received	4,545	8,455	13,000
Customer deposits refunded	-	-	-
Other operating revenues	25,700	19,915	45,615
Net cash provided (used) by operating activities	<u>210,144</u>	<u>261,010</u>	<u>471,154</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers	15,065	-	15,065
Prior period adjustment	10,062	-	10,062
Net cash provided (used) by noncapital financing activities	<u>25,127</u>	<u>-</u>	<u>25,127</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(48,069)	(263,958)	(312,027)
Principal paid on direct placement installment purchase obligations	-	(31,057)	(31,057)
Principal paid on bond maturities	-	(15,000)	(15,000)
Interest paid on bond maturities	-	(18,625)	(18,625)
Net cash provided (used) by capital and related financing activities	<u>(48,069)</u>	<u>(328,640)</u>	<u>(376,709)</u>
<b>Cash flows from investing activities</b>			
Interest and dividends	34,220	26,518	60,738
Net cash provided (used) by investing activities	<u>34,220</u>	<u>26,518</u>	<u>60,738</u>
Net increase (decrease) in cash and cash equivalents	<u>221,422</u>	<u>(41,112)</u>	<u>180,310</u>
Balances - beginning	1,379,758	(284,266)	1,095,492
Balances - ending	<u>\$ 1,601,180</u>	<u>\$ (325,378)</u>	<u>\$ 1,275,802</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 97,672	\$ 155,059	\$ 252,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	106,177	82,277	188,454
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable, net	(27,916)	(39,556)	(67,472)
(Increase) decrease in deferred outflows of resources - pensions	(4,852)	(12,488)	(17,340)
Increase (decrease) in accounts payable and accrued liabilities	57,118	53,269	110,387
Increase (decrease) in customer deposits	4,545	8,455	13,000
Increase (decrease) in accrued vacation payable	(11,655)	(6,725)	(18,380)
Increase (decrease) in pension liability	9,444	15,247	24,691
Increase (decrease) in OPEB liability	(5,875)	7,505	1,630
Increase (decrease) in deferred inflows of resources - pensions	(2,899)	(54)	(2,953)
Increase (decrease) in deferred inflows of resources - OPEB	(11,616)	(1,978)	(13,594)
Total adjustments	<u>112,472</u>	<u>105,951</u>	<u>218,423</u>
Net cash provided (used) by operating activities	<u>\$ 210,144</u>	<u>\$ 261,010</u>	<u>\$ 471,154</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 Honorable Mayor and  
Members of the Town Council  
Town of Haw River, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2024, 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 December 31, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, 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's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies as items (2024-1, 2024-2, 2024-3, 2024-4) that we consider to be material weaknesses.

***Report on Compliance and Other Matters***

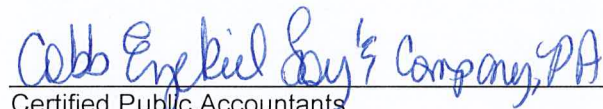
As part of obtaining reasonable assurance about whether the Town of Haw River's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and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

***Town of Haw River's Response to Findings***

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

***Purpose of this Report***

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

  
\_\_\_\_\_  
Certified Public Accountants  
Graham, North Carolina  
December 31, 2024



**Report On Compliance with Requirements Applicable to Each Major State Program and Internal Control Over Compliance In accordance OMB Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major State Program**

***Opinion on Each Major State Program***

We have audited the Town of Haw River, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on the Town of Haw River's major state program for the year ended June 30, 2024. The Town of Haw River's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Haw River complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major State Program***

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

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

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

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

### ***Report on Internal Control Over Compliance***

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

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

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

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



Certified Public Accountants

Graham, North Carolina

December 31, 2024



**Town of Haw River  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Section II – Financial Statement Findings**

**MATERIAL WEAKNESSES**

**Finding: 2023-1 Segregation of Duties**

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not able to be completely segregated among Town personnel. This is especially a concern in the cash management, account receivable, purchasing, and payroll functions.

Effect: Transaction could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions.

Identification of a repeat finding: This was a finding from the immediate previous audit.

Recommendation: The duties should be separated as much as possible, by training and utilizing non-financial personnel and alternative controls. The governing board should also provide some of these controls through review and approval of activity for the Town.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the corrective action plan noted in this audit report.

**Finding: 2023 - 02 Overbudget**

Criteria: G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition: The Town of Haw River expended \$911 more in Elections than appropriated in the annual budget ordinance.

Effect: Moneys were spent that had not been obligated and appropriated.

Cause: The Town expended funds on these expenditures that had not been budgeted for in the budget ordinance and a budget amendment was not adopted.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit.

Recommendation: Before an obligation is to be incurred that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. Budget amendments will be adopted prior to making expenditures that exceed budgeted amounts.

**Town of Haw River  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2024**

**Section II – Financial Statement Findings – continued**

**Finding 2024-3 Software Conversion**

Criteria: In accordance with Generally Accepted Accounting Principles the software used to accumulate the transactions and activity of the Town should properly reflect activity accumulated and reported within the new software to provide accuracy and consistency in financial accounts. This also provides an appropriate audit trail for the activity of the Town.

Condition: In reviewing the account balances in the general ledger it was noted there were still issues with the accumulation of accurate information.

Effect: The Town did provide a reconciled cash balance as of fiscal year end, however, the audit trail was very difficult to follow due to the amount of entries going in and out, in the attempts to reconcile cash. This resulted in concerns regarding the accuracy of the year end balances.

Cause: The Town implemented a new software system in the prior year that continued to require a lot of journal entries to get activity recorded in the correct accounts.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit.

Recommendation: The Town's general ledger must clearly report all activity going in and out of the Municipality with minimal journal entries to correct the posting of the activity.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The Town has completed an entire year on their new accounting system that should allow for more accurate recording of the Town's activity.

**Finding 2024-4 Finance Officer Bond**

Criteria: G.S. 159-29 states that the minimum finance officer fidelity bond should be based on the annually budgeted funds amounts for the fiscal year covered by the bond.

Condition: The Town of Haw River's fidelity bond for the finance office is \$500,000, which is less than the required amount per the annually budgeted funds amounts.

Effect: The finance officer was not appropriately bonded in accordance with the revised requirements.

Cause: The Town increased the bond enough to be in compliance with the prior year budget but not enough to be in compliance with the current year budget, which had increased significantly.

Recommendation: The Town should increase the fidelity bond to at least equal 10% of the current year annually budgeted funds amounts.

Views of responsible officials and planned corrective actions: The Town agrees with this finding. The amount of the fidelity bond will be increased to allow them to become compliant with the revised fidelity bond requirements. Please refer to the corrective action plan.



Corrective Action Plan  
For the Fiscal Year Ended June 30, 2024

**Section II – Financial Statement Findings**

**Finding: 2024-01 Segregation of Duties**

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to reduce the risk for lack of separation. The governing board will also continue to be involved in providing some of these controls.

Proposed Completion Date: The Council will implement the above procedure immediately.

**Finding: 2024-02 Overbudget**

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: The finance officer will review procedures on how potential expenditures will be included in the budget. If any unexpected expenditure is to be incurred, the finance officer will review the budget-to-actual report and make any recommendations necessary.

Proposed Completion Date: The Council will implement the above procedure immediately.

**Finding: 2024-03 Software conversion**

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: A full year has passed with the new software and the finance officer expects the general ledger and all accounting reports to be complete and accurate for future years.

Proposed Completion Date: The Council will implement the above procedure immediately.

**Finding: 2024-04 Finance Officer Bond**

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: The Town Finance Officer will increase the amount of the fidelity bond.

Proposed Completion Date: The Council will implement the above procedure immediately.

**Town of Haw River  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2024**

2023-01 Segregation of Duties

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to reduce the risk for lack of separation. The governing board will also continue to be involved in providing some of these controls.

Proposed Completion Date: The Council will implement the above procedure immediately.

2023-02 Overbudget

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: The finance officer will review procedures on how potential expenditures will be included in the budget. If any unexpected expenditure is to be incurred, the finance officer will review the budget-to-actual report and make any recommendations necessary.

Proposed Completion Date: The Council will implement the above procedure immediately.

2023-03 Software conversion

Name of contact person: Lesley Gonzalez, Finance Officer

Corrective Action: A full year has passed with the new software and the finance officer expects the general ledger and all accounting reports to be complete and accurate for future years.

Proposed Completion Date: The Council will implement the above procedure immediately.

2022-1 Overbudget

Name of Contact Person: Lesley Gonzalez, Finance Director/Town Clerk

Corrective Action: The finance director will review procedures on how potential expenditures will be included in the budget. If any unexpected expenditure is to be incurred, the finance officer will review the budget-to-actual report and make any recommendations necessary.

Proposed Completion Date: The Council will implement the above procedure immediately.

Town of Haw River, North Carolina  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Federal (Direct and Pass-through) Expenditures	State Expenditures
<b>Federal Awards:</b>				
<u>U.S. Department of Treasury</u>				
Passed through the Office of the State Budget and Management:				
N.C. Pandemic Recovery Office				
Coronavirus State and Local Fiscal Recovery Fund				
	21.027		\$ 155,352	\$ -
<u>U.S. Department of Justice</u>				
Passed through the N.C. Department of Crime Control and Public Safety				
Edward Byrne Memorial Justice Assistance Grant				
	16.738		48,944	-
Passed through the N.C. Department of Crime Control and Public Safety				
COPS in Schools Grant Program				
	16.710		89,477	-
<u>Federal Emergency Management Agency</u>				
Department of Homeland Security				
Assistance to Firefighters Grant				
	97.044		56,993	-
Staffing for Adequate Fire and Emergency Response				
	97.083		132,907	-
Total assistance - federal programs			483,673	-
<b>State Awards:</b>				
<u>Office of State Budget Management</u>				
State ARPA funds - Fire Department Grant				
			-	263,958
<u>N.C. Department of Environmental Quality</u>				
State ARPA funds - Water and Sewer Improvements				
			-	104,152
<u>N.C. Department of Transportation:</u>				
Powell Bill				
			-	66,977
<u>N.C. Department of Education</u>				
Passed through Alamance-Burlington School System				
School Resource Officer				
			-	75,000
Total assistance - state programs			-	510,087
Total assistance			\$ 483,673	\$ 510,087

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Haw River under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Haw River, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Haw River.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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