

TOWN OF VALDESE, NORTH CAROLINA

Financial Statements, Supplemental Schedules,
Independent Auditors' Report, and Compliance Reports
For the Year Ended June 30, 2024

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

TOWN OF VALDESE, NORTH CAROLINA

**Town Officials
June 30, 2024**

Mayor

Charles Watts

Town Council Members

Glenn Harvey

Rexanna Lowman

Paul Mears

Gary Ogle

Heather Ward

Other Town Officials

Brian Steen

Bo Weichel

Rexanna Lowman

Gary Ogle

Jessica Lail

Kimberly Cline

Timothy D Swanson

Interim Town Manager

Assistant Manager/CFO

Town Treasurer

Mayor Pro Tem

Town Clerk/HR

Tax Collector

Town Attorney

TOWN OF VALDESE, NORTH CAROLINA

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Financial Section

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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Independent Auditors' Report

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

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Valdese, 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 Valdese, North Carolina's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Valdese, North Carolina, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Valdese, North Carolina 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. The financial statements of the Town of Valdese ABC Board were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Valdese, North Carolina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Valdese, North Carolina'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, the Other Post-employment Benefits' Schedule of Changes in Total OPEB Liability and Related Ratios, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, 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, on pages 4-11 and 55-59 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 Valdese, North Carolina's basic financial statements. The accompanying combining and individual fund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial 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 4, 2024, on our consideration of the Town of Valdese, North Carolina'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Valdese, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Valdese, North Carolina's internal control over financial reporting and compliance.

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
December 4, 2024

Management's Discussion and Analysis

As management of the Town of Valdese, we offer readers of the Town of Valdese's financial statements this narrative overview and analysis of the financial activities of the Town of Valdese 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's financial statements, which follow this narrative.

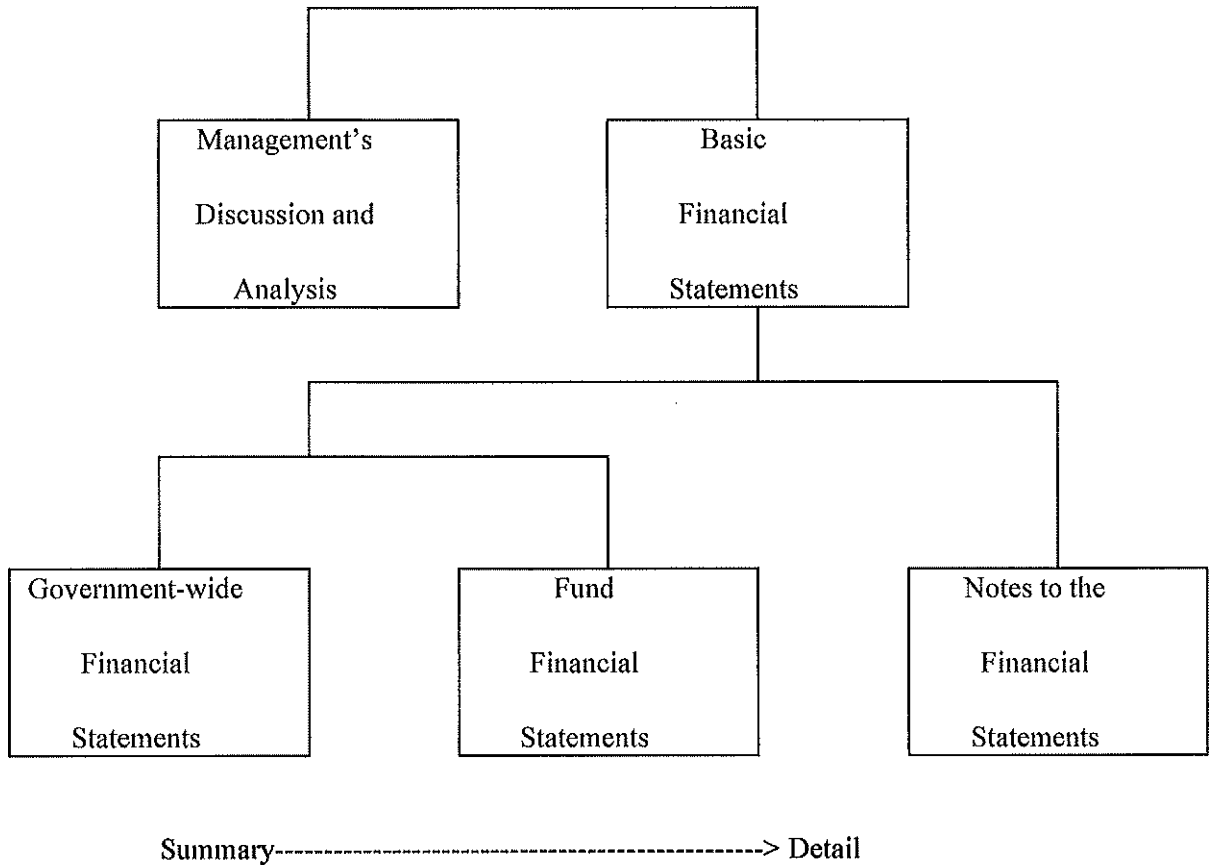
Financial Highlights

- The assets of the Town of Valdese exceeded its liabilities at the close of the fiscal year by \$34,612,335 (net position).
- The government's total net position decreased by \$32,067.
- As of the close of the current fiscal year, the Town of Valdese's governmental funds reported combined ending fund balances of \$10,564,166, with a net increase of \$330,173, in fund balance. Approximately 15.34 percent of this total amount, or \$1,621,393, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,983,906, or 123.58 percent of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Valdese'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 Valdese.

**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 10) 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 four parts to the Fund Financial Statements: 1) the Governmental Funds Statements; 2) the Budgetary Comparison Statements; and 3) the Proprietary Fund Statements.

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

Government-Wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Valdese. The final category is the component unit. Although legally separate from the Town, the ABC Board is important to the Town. The Town exercises control over the Board by appointing its members, and because the Board is required to distribute its profits to the Town.

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'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 Valdese, like all other governmental entities in North Carolina, uses fund accounting to ensure, and to 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 Valdese 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 which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

Proprietary Funds - The Town of Valdese has one 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 Valdese uses enterprise funds to account for its water and sewer activity. This fund is 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 begin on page 23 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 Valdese's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 55 of this report.

Interdependence with Other Entities - The Town 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. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Valdese's Net Position						
Figure 2						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 13,058,092	\$ 10,498,608	\$ 5,808,568	\$ 4,899,040	\$ 18,866,660	\$ 15,397,648
Capital assets	5,771,327	6,134,560	23,671,038	24,679,284	29,442,365	30,813,844
Deferred outflows of resources	1,345,755	1,359,107	510,138	497,372	1,855,893	1,856,479
Total assets and deferred outflows of resources	<u>20,175,174</u>	<u>17,992,275</u>	<u>29,989,744</u>	<u>30,075,696</u>	<u>50,164,918</u>	<u>48,067,971</u>
Long-term liabilities outstanding	5,845,378	5,884,003	6,541,155	6,762,741	12,386,533	12,646,744
Other liabilities	2,385,285	139,758	226,746	136,293	2,612,031	276,051
Deferred inflows of resources	479,054	428,442	74,970	72,334	554,024	500,776
Total liabilities	<u>8,709,717</u>	<u>6,452,203</u>	<u>6,842,871</u>	<u>6,971,368</u>	<u>15,552,588</u>	<u>13,423,571</u>
Net Position:						
Net investment in capital assets	3,105,984	3,302,768	18,158,521	18,855,319	21,264,505	22,158,087
Restricted	1,403,065	1,016,069	-	-	1,403,065	1,016,069
Unrestricted	6,956,408	7,221,235	4,988,356	4,249,010	11,944,764	11,470,245
Total net position	<u>\$ 11,465,457</u>	<u>\$ 11,540,072</u>	<u>\$ 23,146,877</u>	<u>\$ 23,104,329</u>	<u>\$ 34,612,334</u>	<u>\$ 34,644,401</u>

As noted earlier, net position may serve, over time, as one useful indicator of a government's financial condition. The assets of the Town of Valdese exceeded liabilities by \$34,612,334 as of June 30, 2024. The Town's net position decreased by \$32,067 for the fiscal year ended June 30, 2024. However, the largest portion, 61.44%, reflects the Town's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Valdese uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Valdese's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Valdese's net position \$1,403,065 (4.05%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$11,944,764 is unrestricted.

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

- Continued, concerted effort to control cost and manage expenditures responsibly.
- Utilization of the Burke County Tax Collectors office in the collection of taxes and penalization of delinquent taxes.
- Sustained effort to stabilize property tax revenues with both new residential and non-residential development.
- Continued acquisition of grant funding for major projects.
- Annual review and re-prioritizing of 10-year capital improvement needs.
- Adherence to the adopted budget.

Town of Valdese's Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program revenues:						
Charges for services	\$ 799,426	\$ 769,371	\$ 6,149,682	\$ 5,739,522	\$ 6,949,108	\$ 6,508,893
Operating grants and contributions	254,082	949,681	-	-	254,082	949,681
Capital grants and contributions	237,484	451,828	158,382	37,082	395,866	488,910
General revenues:						
Property taxes	2,940,020	2,409,453	-	-	2,940,020	2,409,453
Other taxes	2,531,627	2,395,966	-	-	2,531,627	2,395,966
Other	522,892	552,100	54,703	274,335	577,595	826,435
Total revenues	7,285,531	7,528,399	6,362,767	6,050,939	13,648,298	13,579,338
Expenses:						
General government	1,077,601	913,173	-	-	1,077,601	913,173
Public safety	2,682,018	2,492,579	-	-	2,682,018	2,492,579
Transportation	470,328	525,318	-	-	470,328	525,318
Environmental protection	406,288	362,604	-	-	406,288	362,604
Economic and physical development	1,373,523	996,763	-	-	1,373,523	996,763
Culture and recreation	1,477,594	1,294,224	-	-	1,477,594	1,294,224
Interest on long-term debt	93,794	97,924	-	-	93,794	97,924
Water and sewer	-	-	6,099,218	5,915,571	6,099,218	5,915,571
Total expenses	7,581,146	6,682,585	6,099,218	5,915,571	13,680,364	12,598,156
Increase (decrease) in net position before transfers	(295,615)	845,814	263,549	135,368	(32,067)	981,182
Transfers	221,000	(372,549)	(221,000)	372,549	-	-
Increase (decrease) in net position	(74,615)	473,265	42,548	507,916	(32,067)	981,181
Net position July 1	11,540,072	11,066,807	23,104,329	22,596,413	34,644,401	33,663,220
Net position June 30	\$ 11,465,457	\$ 11,540,072	\$ 23,146,877	\$ 23,104,329	\$ 34,612,335	\$ 34,644,401

Governmental Activities - Governmental activities decreased the Town's net position by \$74,615. Key elements of this decrease are anticipated, and unanticipated events as follows:

- Slowed growth of sales tax revenue.
- Revenues from grants and contributions lower than the previous year.
- Increase in cost of materials and services from the previous year.
- Total decrease in revenue and total increase in expenditures decreased the net position.

Business-type Activities - Business-type activities increased the Town of Valdese's net position by \$42,548. Key elements of this increase are as follows:

- Continuation of a Capital Improvement Plan and utility system rate model.
- Increase in the amount of grants received.
- Intentional buildup of fund balance.

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town of Valdese'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 Valdese's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town of Valdese. At the end of the current fiscal year, available fund balance of the General Fund was \$6,983,906, while the total fund balance reached \$8,724,530. The Town currently has an available fund balance of 123.58 percent of General Fund expenditures, while the total fund balance represents 154.38 percent of that same amount.

At June 30, 2024, the governmental funds of the Town of Valdese reported a combined fund balance of \$10,564,166, a 3.23 percent increase from last year. Included in this change in fund balance are increases in the fund balance in the General Fund and a decrease in the fund balances of the Other Governmental Funds.

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.

Proprietary Funds - The Town of Valdese'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 \$4,988,356. The total change in net position was an increase of \$42,548. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Valdese's business-type activities.

Capital Assets and Debt Administration

Capital Assets - The Town of Valdese's investment in capital assets for its governmental and business-type activities as of June 30, 2024, totals \$29,442,365 (net of accumulated depreciation). These assets include buildings, land, equipment, plant and distribution systems, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Patrol vehicle
- Replaced old sanitation truck with a newer used model
- Clock tower repairs
- Refreshed entrance signs in main corridors
- Fitness Center equipment
- Fuel Management system

**The Town of Valdese's Capital Assets
(Net of Depreciation)**

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,805,787	\$ 1,805,787	\$ 316,070	\$ 316,070	\$ 2,121,857	\$ 2,121,857
Buildings	2,869,132	3,247,253	-	-	2,869,132	3,247,253
Plant and distribution systems	-	-	22,458,317	23,683,909	22,458,317	23,683,909
Equipment	742,312	784,404	524,193	522,174	1,266,505	1,306,578
Vehicles and motorized equipment	354,096	297,116	136,963	89,931	491,059	387,047
Construction in progress	-	-	235,495	67,200	235,495	67,200
Total	\$ 5,771,327	\$ 6,134,560	\$ 23,671,038	\$ 24,679,284	\$ 29,442,365	\$ 30,813,844

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

Long-Term Debt - As of June 30, 2024 the Town of Valdese had total debt outstanding of \$8,177,860.

The Town of Valdese's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ -	\$ -	\$ 991,000	\$ 1,015,000	\$ 991,000	\$ 1,015,000
Direct placement revolving loans	-	-	4,366,727	4,628,818	4,366,727	4,628,818
Direct placement installment purchases	2,665,343	2,831,792	154,790	180,147	2,820,133	3,011,939
Total	\$ 2,665,343	\$ 2,831,792	\$ 5,512,517	\$ 5,823,965	\$ 8,177,860	\$ 8,655,757

The Town of Valdese's total debt decreased by \$477,867 (5.53%) during the past fiscal year.

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 the Town of Valdese is \$35,627,922.

Additional information regarding the Town of Valdese's long-term debt can be found in Note III.B.6 beginning on page 48 of this report.

Economic Factors and Next Year's Budgets and Rates

The following are key economic indicators that continue to affect the status of the Town:

- The Town of Valdese (regional) unemployment rate was 4.1%, compared to the State's rate of 3.6% and the national rate of 4.1% as of June 30, 2024.
- Property taxes remain our largest revenue source.
- Sales and Utility Franchise taxes are our next largest revenue sources. Both have been trending positive. We expect this trend to slow down in the upcoming fiscal year.
- The effects of losing textile industries continues to provide challenges for our Utility System. However, we are optimistic that the current and planned effort to expand our residential customer base through development and acquisition will continue to partially offset these losses.
- Our utility system has aging infrastructure in the ground and at both the Water and Wastewater Treatment Plants. The Town implements a rate study annually that takes these factors into consideration to develop our utility rates.

- Inflation for cost of goods and materials to provide clean water, treat sewage, and provide Town services continues to outpace any increase of revenue creating a struggle to maintain the level of services and compliance with regulatory State agencies as available budgeted funds shrink as these cost of goods and materials increase.

Budget Highlights for the Fiscal Year Ending June 30, 2025

The budget for fiscal year 2024-2025 increased 8.0% over the previous fiscal year. The General fund increase remained flat, however the majority of the budget increase was in the Utility fund. This is due to some large capital projects in the Utility departments such as an aeration basin upgrades at the Wastewater Treatment Plant and air actuated valve operators at the Water Plant. Other smaller capital investments included upgrading the booster pump stations/tank telemetry, SCADA updates, ARC flash study, and a pipe jetter.

The property tax rate decreased to \$0.415 per one hundred dollars (\$100) valuation.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report, or requests for additional information, should be directed to Director of Finance, Town of Valdese, P. O. Box 339, Valdese, N. C. 28690-0339. One can also call (828) 879-2120 or visit our website www.townofvaldese.com.

**Basic
Financial
Statements**

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 1

**Statement of Net Position
June 30, 2024**

	<u>Primary Government</u>			<u>Town of Valdese ABC Board</u>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>	
<u>Assets</u>				
Current assets:				
Cash and investments	\$ 11,945,749	\$ 4,773,926	\$ 16,719,675	\$ 113,061
Restricted cash and investments	271,806	98,536	370,342	-
Taxes receivable, net	88,011	-	88,011	-
Accounts receivable, net	61,969	752,344	814,313	-
Interest receivable	20,631	-	20,631	-
Due from other governmental agencies	461,629	-	461,629	-
Prepaid expenses	28,023	9,174	37,197	-
Inventories	180,274	174,588	354,862	321,957
Total current assets	<u>13,058,092</u>	<u>5,808,568</u>	<u>18,866,661</u>	<u>435,018</u>
Non-current assets:				
Capital assets:				
Land, non-depreciable assets and construction in progress	1,805,787	551,565	2,357,352	-
Other capital assets, net of depreciation	3,965,540	23,119,473	27,085,013	43,003
Total capital assets	<u>5,771,327</u>	<u>23,671,038</u>	<u>29,442,365</u>	<u>43,003</u>
Total non-current assets	<u>5,771,327</u>	<u>23,671,038</u>	<u>29,442,365</u>	<u>43,003</u>
Right to use leased asset, net of amortization	-	-	-	21,131
Total assets	<u>18,829,419</u>	<u>29,479,606</u>	<u>48,309,026</u>	<u>499,150</u>
Deferred outflows of resources	<u>1,345,755</u>	<u>510,138</u>	<u>1,855,893</u>	<u>61,981</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and other current liabilities	185,285	128,210	313,495	180,158
Refundable advances	2,200,000	-	2,200,000	-
Customer deposits	-	98,536	98,536	-
Long-term liabilities				
Due within one year	152,851	335,340	488,191	23,250
Due in more than one year	5,692,527	6,205,815	11,898,342	62,323
Total liabilities	<u>8,230,663</u>	<u>6,767,901</u>	<u>14,998,564</u>	<u>265,731</u>
Deferred inflows of resources	<u>479,054</u>	<u>74,970</u>	<u>554,024</u>	<u>179</u>
<u>Net Position</u>				
Net investment in capital assets	3,105,984	18,158,521	21,264,505	43,003
Restricted for stabilization by state statute	1,090,358	-	1,090,358	68,215
Restricted for town revitalization	40,901	-	40,901	-
Restricted for USDA	160,132	-	160,132	-
Restricted for streets	111,674	-	111,674	-
Unrestricted	<u>6,956,408</u>	<u>4,988,356</u>	<u>11,944,764</u>	<u>181,419</u>
Total net position	<u>\$ 11,465,457</u>	<u>\$ 23,146,877</u>	<u>\$ 34,612,335</u>	<u>\$ 292,637</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2024**

Functions/Programs	Expenses	Program Revenues				Primary Government			Town of Valdese ABC Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position				
					Governmental Activities	Business- type Activities	Total		
Governmental activities:									
General government	\$ 1,077,601	\$ 124,008	\$ -	\$ -	\$ (953,593)	\$ -	\$ (953,593)	\$ -	
Public safety	2,682,018	863	10	126,321	(2,554,824)	-	(2,554,824)	-	
Transportation	470,328	-	183,431	-	(286,897)	-	(286,897)	-	
Environmental protection	406,288	256,738	-	-	(149,550)	-	(149,550)	-	
Cultural and recreational	1,477,594	417,817	70,641	111,163	(877,973)	-	(877,973)	-	
Economic and physical development	1,373,523	-	-	-	(1,373,523)	-	(1,373,523)	-	
Interest on long-term debt	93,794	-	-	-	(93,794)	-	(93,794)	-	
Total governmental activities	7,581,146	799,426	254,082	237,484	(6,290,154)	-	(6,290,154)	-	
Business-type activities:									
Water and sewer	6,099,218	6,149,682	-	158,382	-	208,846	208,846	-	
Total business-type activities	6,099,218	6,149,682	-	158,382	-	208,846	208,846	-	
Total primary government	\$ 13,680,364	\$ 6,949,108	\$ 254,082	\$ 395,866	(6,290,154)	208,846	(6,081,308)	-	
Component unit:									
ABC Board	2,277,308	2,296,568	-	-	-	-	-	19,260	
Total component unit	2,277,308	2,296,568	-	-	-	-	-	19,260	
General revenues:									
Ad valorem taxes					2,940,020	-	2,940,020	-	
Local option sales tax					2,048,103	-	2,048,103	-	
Other taxes					483,524	-	483,524	-	
Unrestricted investment earnings					708,322	46,405	754,727	1,031	
Miscellaneous					(185,430)	8,298	(177,132)	-	
Transfers					221,000	(221,000)	-	-	
Total general revenues and transfers					6,215,539	(166,297)	6,049,242	1,031	
Change in net position					(74,615)	42,548	(32,067)	20,291	
Net position, beginning					11,540,072	23,104,329	34,644,402	272,346	
Net position - ending					\$ 11,465,457	\$ 23,146,877	\$ 34,612,335	\$ 292,637	

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2024**

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Hoyle Creek Restoration Fund</u>	<u>Total Non-Major Funds</u>	
<u>Assets</u>				
Cash and investments	\$ 7,470,706	\$ 2,200,000	\$ 2,275,043	\$ 11,945,749
Restricted cash and investments	271,806	-	-	271,806
Taxes receivable, net	88,011	-	-	88,011
Accounts receivable, net	61,969	-	-	61,969
Due from other funds	396,596	-	-	396,596
Due from other governmental agencies	461,629	-	-	461,629
Prepaid expenses	28,023	-	-	28,023
Inventories	180,274	-	-	180,274
Total assets	<u>\$ 8,959,015</u>	<u>\$ 2,200,000</u>	<u>\$ 2,275,043</u>	<u>\$ 13,434,058</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and other current liabilities	\$ 146,474	\$ -	\$ 38,811	\$ 185,285
Due to other funds	-	-	396,596	396,596
Refundable advances	-	2,200,000	-	2,200,000
Total liabilities	<u>146,474</u>	<u>2,200,000</u>	<u>435,407</u>	<u>2,781,881</u>
Deferred inflows of resources:				
Property taxes receivable	88,011	-	-	88,011
Fund balances:				
Nonspendable:				
Prepaid expenses	28,023	-	-	28,023
Inventories	180,274	-	-	180,274
Restricted:				
Stabilization by State Statute	1,090,358	-	-	1,090,358
Encumbrances	170,163	-	-	170,163
Town revitalization	-	-	40,901	40,901
Streets	111,674	-	-	111,674
Committed:				
USDA reserve	160,132	-	-	160,132
Assigned:				
Capital projects	-	-	1,798,735	1,798,735
Unassigned	6,983,906	-	-	6,983,906
Total fund balances	<u>8,724,530</u>	<u>-</u>	<u>1,839,636</u>	<u>10,564,166</u>
Total liabilities and fund balances	<u>\$ 8,959,015</u>	<u>\$ 2,200,000</u>	<u>\$ 2,275,043</u>	<u>\$ 13,434,058</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 4

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2024**

Total governmental fund balances	\$ 10,564,166
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	5,771,327
Deferred outflows of resources related to pensions are not reported in the funds	1,234,034
Deferred outflows of resources related to OPEB are not reported in the funds	111,721
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	108,641
Deferred inflows of resources related to pensions are not reported in the funds	(186,495)
Deferred inflows of resources related to OPEB are not reported in the funds	(292,559)
Long-term liabilities, including bonds payable, OPEB, pension liability and compensated absences are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(5,845,378)</u>
Net position of governmental activities	<u>\$ 11,465,457</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 5

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024**

	Major Funds		Total	Total
	General	Hoyle Creek	Non-Major	Governmental
	Fund	Restoration	Funds	Funds
Revenues:				
Ad valorem taxes	\$ 2,956,235	\$ -	\$ -	\$ 2,956,235
Other taxes and licenses	1,895,258	-	-	1,895,258
Unrestricted intergovernmental revenues	654,301	-	-	654,301
Restricted intergovernmental revenues	183,431	-	111,163	294,594
Sales and services	773,238	-	-	773,238
Investment earnings	671,522	-	36,800	708,322
Other revenues	68,608	-	196,972	265,580
Total revenues	7,202,594	-	344,935	7,547,529
Expenditures:				
Current:				
General government	994,885	-	-	994,885
Public safety	2,006,659	-	413,560	2,420,219
Environmental protection	515,384	-	-	515,384
Transportation	361,233	-	-	361,233
Cultural and recreational	1,512,869	-	-	1,512,869
Economic and physical development	-	-	1,373,522	1,373,522
Debt service:				
Principal	166,449	-	-	166,449
Interest and other charges	93,794	-	-	93,794
Total expenditures	5,651,273	-	1,787,082	7,438,355
Revenues over (under) expenditures	<u>1,551,322</u>	<u>-</u>	<u>(1,442,147)</u>	<u>109,175</u>
Other Financing Sources (Uses):				
Operating transfers - in	221,000	-	1,184,290	1,405,290
Operating transfers - out	(1,184,290)	-	-	(1,184,290)
Total other financing sources (uses)	(963,290)	-	1,184,290	221,000
Net change in fund balances	588,030	-	(257,857)	330,173
Fund balances, beginning	<u>8,136,499</u>	<u>-</u>	<u>2,097,494</u>	<u>10,233,993</u>
Fund balances, ending	<u>\$ 8,724,530</u>	<u>\$ -</u>	<u>\$ 1,839,636</u>	<u>\$ 10,564,166</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2024**

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

Net changes in fund balances - total governmental funds	\$ 330,173
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 depreciation exceeded capita outlay in the current period.	(117,450)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	318,204
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred revenue for tax revenues.	(16,214)
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 the governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(166,449)
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.	
Other postemployment benefits	(130,215)
Pension expense	(292,249)
Compensated absences	<u>(415)</u>
Total changes in net position of governmental activities	<u>\$ (74,615)</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 7

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2024**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 2,754,668	\$ 2,754,668	\$ 2,956,235	\$ 201,567
Other taxes and licenses	1,720,144	1,720,144	1,895,258	175,114
Unrestricted intergovernmental revenues	629,244	629,244	654,301	25,057
Restricted intergovernmental revenues	146,300	146,300	183,431	37,131
Sales and services	770,474	749,074	773,238	24,164
Investment earnings	100,000	100,000	671,522	571,522
Other revenues	13,500	(650)	68,608	69,258
Total revenues	<u>6,134,330</u>	<u>6,098,780</u>	<u>7,202,594</u>	<u>1,103,815</u>
Expenditures:				
Current:				
General government	1,095,644	1,344,018	994,885	349,133
Public safety	2,129,784	2,147,674	2,006,659	141,015
Transportation	386,377	388,931	361,233	27,698
Environmental protection	533,199	558,199	515,384	42,815
Cultural and recreational	1,514,362	1,563,047	1,512,869	50,178
Debt service:				
Principal	166,449	166,449	166,449	-
Interest and other charges	93,794	93,794	93,794	-
Total expenditures	<u>5,919,609</u>	<u>6,262,112</u>	<u>5,651,273</u>	<u>610,839</u>
Revenues over (under) expenditures	<u>214,721</u>	<u>(163,333)</u>	<u>1,551,322</u>	<u>1,714,654</u>
Other Financing Sources (Uses):				
Appropriated fund balance	238,279	1,126,623	-	(1,126,623)
Operating transfers - in (out)	(453,000)	(963,290)	(963,290)	-
Total other financing sources (uses)	<u>(214,721)</u>	<u>163,333</u>	<u>(963,290)</u>	<u>(1,126,623)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>588,030</u>	<u>\$ 588,030</u>
Fund balance, beginning			<u>8,136,499</u>	
Fund balance, ending			<u>\$ 8,724,530</u>	

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 8

**Statement of Fund Net Position
Proprietary Fund
June 30, 2024**

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
<u>Assets</u>	
Current assets:	
Cash and investments	\$ 4,773,926
Accounts receivable, net	752,344
Inventories	174,588
Prepaid expenses	9,174
Restricted cash and cash equivalents	<u>98,536</u>
Total current assets	<u>5,808,568</u>
Noncurrent assets:	
Capital assets:	
Land and improvements	316,070
Buildings and improvements	20,508,378
Distribution systems	28,896,412
Furniture and maintenance equipment	987,795
Vehicles	602,202
Construction in progress	235,495
Less accumulated depreciation	<u>(27,875,314)</u>
Capital assets, net	<u>23,671,040</u>
Total noncurrent assets	<u>23,671,040</u>
Total assets	<u>29,479,608</u>
Deferred Outflows of Resources	<u>510,138</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	128,210
Customer deposits	98,536
General obligation bonds payable - current	36,546
Loans payable - current	<u>298,794</u>
Total current liabilities	562,084
Noncurrent liabilities:	
General obligation bonds payable	1,093,002
Loans payable	4,084,175
Net pension liability	835,562
Other postemployment benefits liability	114,883
Accrued compensated absences	<u>78,193</u>
Total liabilities	<u>6,767,899</u>
Deferred Inflows of Resources	<u>74,970</u>
<u>Net Position</u>	
Net investment in capital assets	18,158,523
Unrestricted	<u>4,988,354</u>
Total net position	<u>23,146,877</u>
Net position of business-type activities	<u>\$ 23,146,877</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 9

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

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Operating Revenues:	
Charges for services	\$ 5,328,442
Other operating revenues	821,241
Total operating revenues	<u>6,149,682</u>
Operating Expenses:	
Administration	1,122,524
Water supply and treatment	1,307,157
Wastewater treatment	1,275,738
Water and sewer maintenance	954,737
Depreciation	1,392,124
Total operating expenses	<u>6,052,280</u>
Operating income (loss)	<u>97,402</u>
Nonoperating Revenues (Expenses):	
Debt assistance - Town of Drexel	183
Investment earnings	46,405
Interest expense	(46,938)
Disposal of fixed assets	14,000
Other	(5,887)
Nonoperating revenues (expenses), net	<u>7,764</u>
Income (loss) before operating transfers and capital contributions	105,166
Capital contributions	158,382
Transfers (to) from other funds: General fund	<u>(221,000)</u>
Change in net position	42,548
Total net position-beginning	<u>23,104,329</u>
Total net position- ending	<u>\$ 23,146,877</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 10

Page 1 of 2

**Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024**

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Cash Flows From Operating Activities:	
Cash received from customers	\$ 6,097,168
Cash paid for goods and services	(4,212,187)
Cash paid to employees	<u>(231,922)</u>
Net cash provided (used) by operating activities	<u>1,653,059</u>
Cash Flows From Noncapital Financing Activities:	
Operating transfers out	<u>(221,000)</u>
Cash Flows From Capital and Related Financing Activities:	
Proceeds from sale of fixed assets	14,000
Addition of construction in progress	(168,295)
Acquisition of capital assets	(215,587)
Principal paid on bonds	(311,448)
Interest paid on bonds	(46,938)
Other	(5,702)
Capital contributions	<u>158,382</u>
Net cash provided (used) for capital and related financing activities	<u>(575,588)</u>
Cash Flows From Investing Activities:	
Interest on investments	<u>46,405</u>
Net cash provided (used) by investing activities	<u>46,405</u>
Net increase (decrease) in cash and cash equivalents	902,876
Cash and cash equivalents at beginning of year	<u>3,969,586</u>
Cash and cash equivalents at end of year	<u>\$ 4,872,462</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Exhibit 10, cont.
Page 2 of 2

Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2024

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	<u>\$ 97,402</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	1,392,124
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in receivables	(60,959)
(Increase) decrease in deferred outflows of resources - pension	(19,460)
(Increase) decrease in deferred outflows of resources - OPEB	6,694
(Increase) decrease in inventories	54,307
Increase (decrease) in net pension liability	119,326
Increase (decrease) in payables	82,009
Increase (decrease) in accrued vacation pay and other postemployment benefits	(29,465)
Increase (decrease) in deferred inflows of resources - pension	(5,995)
Increase (decrease) in deferred inflows of resources - OPEB	8,631
Increase (decrease) in customer deposits	8,445
Total adjustments	<u>1,555,657</u>
Net cash provided (used) by operating activities	<u>\$ 1,653,059</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Notes to the Financial Statements For the Fiscal Year Ended June 30, 2024

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Valdese, and its discretely presented component unit, 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 Valdese is a municipal corporation which is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. The discretely presented component unit presented below is reported in a separate column in the Town's financial statements in order to emphasize that it is legally separate from the Town.

The Town of Valdese ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Valdese ABC Board, P. O. Box 1058, Valdese, N. C. 28690.

B. Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government and its component unit. 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 expense 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 funds:

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

Hoyle Creek Restoration Fund - This fund accounts for the funding and expenditures relating to the restoration of Hoyle Creek.

The Town reports the following non-major governmental funds:

Street Improvements Fund - This fund is used to account for improvements to Town streets.

Police Department Capital Project Fund - This fund is used to account for police department capital expenditures.

Public Safety Building Project Fund - This fund is used to account for costs associated with the planning of a new public safety building.

Public Art Fund - This fund is used to account for assets to add art to the Town.

Capital Outlay Fund - This fund accounts for assets held by the Town for the construction of a community house or other capital projects.

Lake Rhodhiss Capital Project Fund - This fund is used to account for improvements to the Lake Rhodhiss Plant.

Pool Structure Fund - This fund is used to account for the construction of a new pool structure.

McGalliard Creek Bridge Fund - This fund is used to construct a bridge to connect the two areas of the park.

Community Center Gym Renovation Fund - This fund is used to account for the renovation of the community center gym.

Lakeside Park Phase I Project Fund - This fund is used to acquire revenue for the first phase of the Lakeside Park construction.

Old Rock School Renovation Fund - This fund is used to account for the renovation of the Old Rock School.

Community Center Renovation Fund - This fund is used to account for the renovation of the Community Center.

The Town reports the following major enterprise fund:

Utility Fund - This fund is used to account for the Town's water and sewer 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. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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 non-operating 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 the vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013, and for limited registration plates, are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town, are recognized as revenue. Intergovernmental revenues and sales and services are not susceptible to accrual because, generally, they are not measurable until received in cash. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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 Capital Project Funds, Special Revenue Funds, and the Enterprise Fund Capital Projects Funds, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the object level for the multi-year funds. The Town manager has unlimited authority to transfer appropriations within a department. He is authorized to transfer up to \$1,000 between departments of the same fund with subsequent Board approval. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year, or the governing board must adopt an interim budget that covers that time until annual ordinance can be adopted. The Capital Outlay Fund is not required to be budgeted.

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

1. Deposits and Investments

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

State law (G.S. 159-30(c)) authorizes the Town and the ABC Board 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 and the ABC Board's investments are reported at fair value. Non-participating, interest-earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, has no rating and is measured at fair value. As of June 30, 2024, the Term portfolio has a duration of 0.15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be 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.

Powell Bill Funds are also classified as restricted cash because they can be expended only for the purpose outlined in G.S. 136-41.1 through 136-41.4.

<u>Town of Valdese Restricted Cash</u>	
Governmental activities	
General Fund	
Streets	\$ 111,674
USDA	160,132
Total governmental activities	<u>271,806</u>
Business-type activities	
Water and sewer fund	
Customer deposits	98,536
Total restricted cash	<u>\$ 370,342</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, 2023. 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 was written off in prior years.

6. Inventory and Prepaid Items

The inventories of the Town and the ABC Board are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies, and they are recorded as expenditures as used, rather than when purchased.

The inventories of the Town's Enterprise Fund, and those of the ABC Board, consists of materials and supplies held for subsequent use. The cost of this inventory is expensed when consumed, rather than when purchased.

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 are 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 \$5,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets, or materially extend assets' lives, is not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Property and equipment of the ABC Board are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Equipment and furniture	10
Leasehold improvements	10-20
Computers	3

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 one item that meets this criterion, pension 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 three items that meet the criterion for this category - property taxes receivable, unavailable revenues (reported only on the Balance sheet of the Government Funds), and pension and OPEB deferrals.

9. Right to use assets

The Component Unit had recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

10. Refundable Advances

During the year ending June 30, 2024, the Town received a grant from the State to assistance in the restoration of Hoyle Creek. No expenditures for this project have been incurred as of year end. Any unspent grant proceeds at the end of the grant period will have to be refunded to the State.

11. 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 assets. 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 the applicable bond premiums or discounts. Bond issuance costs are reported as deferred charges and amortized over the term of the related 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 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.

12. 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 the time that is estimated to be used in the next fiscal year has been designated as 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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

13. Net Position/Fund Balances

Net Position

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

Non-spendable 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.

Inventories - the portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid expense - the portion of fund balance that is not an available resource, because it represents the year-end balance of prepaid expenses.

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 - the portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Encumbrances - the portion of fund balance to be used for future obligations.

Restricted for Streets - the 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 Town Revitalization - the portion of fund balance to be used for Town improvements.

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

USDA Reserve - the portion of fund balance restricted as stated by USDA.

Assigned Fund Balance - the portion of fund balance that the Town of Valdese intends to use for specific purposes.

Capital Projects - the portion of fund balance that has been budgeted for future capital projects.

Subsequent Year's Expenditures - the portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed.

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

The Town of Valdese 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.

14. Defined Benefit Cost Sharing Plans

For purposes of measuring the net pension liability (asset), 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 Valdese's employer contributions are recognized when due, and the Town of Valdese 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.

II. Stewardship, Compliance and Accountability

A. Deficit in Fund Balance of Individual Funds

The Old Rock School Renovation Fund had a deficit fund balance of \$435,407 at June 30, 2024.

Grant and other revenues to be received in 2024/25 will correct the deficit fund balance at June 30, 2024.

B. Excess of Expenditures over Appropriations

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town and the ABC Board 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 or the ABC Board's agent in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town and the ABC Board, these deposits are considered to be held by the Town's and the ABC Board's agent in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town and the ABC Board 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.

The ABC Board has no formal policy regarding custodial credit risk for deposits.

At June 30, 2024, the Town's deposits had a carrying amount of \$848,586 and a bank balance of \$1,175,777. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held under the Pooling Method. The carrying amount of deposits for the ABC Board was \$87,143, and the bank balance was \$126,029. All of the bank balance was covered by federal depository insurance.

2. Investments

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

<u>Investment by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at 6/30/2024</u>	<u>Maturity</u>	<u>Rating</u>
N.C. Capital Management Trust Government Portfolio	Fair Value Level 1	<u>\$16,241,431</u>	N/A	AAAm

Interest Rate Risk. The Town has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Town has no formal policy regarding credit risk but has internal management procedures that limit 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 N. C. Capital Management Trust Term Portfolio is unrated. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30, as amended.

3. Receivables - Allowance for Doubtful Accounts

Receivables at the government-wide level at June 30, 2024 were are follows:

	<u>Accounts</u>	<u>Taxes and Related Accrued Interest</u>	<u>Due from Other Governments</u>	<u>Total</u>
Governmental Activities:				
General	\$ 61,969	\$ 148,642	\$ 461,629	\$ 672,240
Other governmental	-	-	-	-
Total	<u>61,969</u>	<u>148,642</u>	<u>461,629</u>	<u>672,240</u>
Allowance for doubtful accounts	-	(40,000)	-	(40,000)
Total - Governmental activities	<u>\$ 61,969</u>	<u>\$ 108,642</u>	<u>\$ 461,629</u>	<u>\$ 632,240</u>
Business-type Activities:				
Utility fund	\$ 752,344	\$ -	\$ -	\$ 752,344
Allowance for doubtful accounts	-	-	-	-
Total - Business-type activities	<u>\$ 752,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 752,344</u>

The due from other governments that is owed to the Town consists of the following:

Sales tax and utility franchise tax \$ 461,629

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

General Fund:
Taxes receivable \$ 40,000

4. Capital Assets

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,805,787	\$ -	\$ -	\$ 1,805,787
Total capital assets not being depreciated	<u>1,805,787</u>	<u>-</u>	<u>-</u>	<u>1,805,787</u>
Capital assets being depreciated:				
Buildings	7,200,880	-	500,843	6,700,037
Equipment	1,417,982	139,827	135,417	1,422,392
Vehicles and motorized equipment	2,823,531	212,143	462,028	2,573,646
Total capital assets being depreciated	<u>11,442,393</u>	<u>351,970</u>	<u>1,098,288</u>	<u>10,696,075</u>
Less accumulated depreciation for:				
Buildings	3,953,627	132,421	255,143	3,830,905
Equipment	633,578	181,836	135,334	680,080
Vehicles and motorized equipment	2,526,415	155,163	462,028	2,219,550
Total accumulated depreciation	<u>7,113,620</u>	<u>469,420</u>	<u>852,505</u>	<u>6,730,535</u>
Total capital assets being depreciated, net	<u>4,328,773</u>	<u>(117,450)</u>	<u>245,783</u>	<u>3,965,540</u>
Governmental activity capital assets, net	<u>\$ 6,134,560</u>	<u>\$ (117,450)</u>	<u>\$ 245,783</u>	<u>\$ 5,771,327</u>

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

General government	\$ 53,330
Public safety	189,578
Transportation	107,958
Environmental protection	10,013
Cultural and recreational	108,541
Total depreciation expense	<u>\$ 469,420</u>

Business-type Activities:	Beginning			Ending
Utility Fund:	Balances	Increase	Decreases	Balances
Capital assets not being depreciated:				
Land	\$ 316,070	\$ -	\$ -	\$ 316,070
Construction in progress	67,200	168,295	-	235,495
Total capital assets not being depreciated	<u>383,270</u>	<u>168,295</u>	<u>-</u>	<u>551,565</u>
Capital assets being depreciated:				
Plant and distributions systems	49,404,793	-	-	49,404,793
Equipment	851,940	135,855	-	987,795
Vehicles	712,236	79,730	189,763	602,203
Total capital assets being depreciated	<u>50,968,969</u>	<u>215,585</u>	<u>189,763</u>	<u>50,994,791</u>
Less accumulated depreciation for:				
Plant and distributions systems	25,720,884	1,225,592	-	26,946,476
Equipment	329,766	133,836	-	463,602
Vehicles	622,305	32,696	189,763	465,238
Total accumulated depreciation	<u>26,672,955</u>	<u>1,392,124</u>	<u>189,763</u>	<u>27,875,316</u>
Total capital assets being depreciated, net	<u>24,296,014</u>	<u>(1,176,539)</u>	<u>-</u>	<u>23,119,475</u>
Utility fund capital assets, net	<u>\$ 24,679,284</u>	<u>\$ (1,008,244)</u>	<u>\$ -</u>	<u>\$ 23,671,040</u>

Discretely Presented Component Unit

Activity for the ABC Board for the year ended June 30, 2024, was as follows:

	Beginning			Ending
	Balances	Increases	Decreases	Balances
Capital assets being depreciated:				
Furniture and equipment	\$ 63,783	\$ 11,331	\$ -	\$ 75,114
Leasehold improvements	156,914	-	-	156,914
Computers	4,857	-	-	4,857
Total capital assets being depreciated	<u>225,554</u>	<u>\$ 11,331</u>	<u>\$ -</u>	<u>236,885</u>
Less accumulated depreciation for:				
Furniture and equipment	43,616	4,636	-	48,252
Leasehold improvements	131,833	10,596	-	142,429
Computers	3,083	118	-	3,201
Total accumulated depreciation	<u>178,532</u>	<u>\$ 15,350</u>	<u>\$ -</u>	<u>193,882</u>
ABC capital assets, net	<u>\$ 47,022</u>			<u>\$ 43,003</u>

B. Liabilities

1. Payables

Payables at the government-wide level at June 30, 2024 were as follows:

	<u>Vendors</u>
Governmental activities:	
General	\$ 146,474
Non-Major Funds	38,811
Total - governmental activities	<u>\$ 185,285</u>
Business-type activities:	
Water and Sewer	\$ 128,210
Total - business-type activities	<u>\$ 128,210</u>

2. Pension Plan and Post-employment Obligations

a. Local Government Employees' Retirement System

Plan Description. The Town of Valdese 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, and one appointed by the State House of Representatives and the State Treasurer and the State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report (ACFR) for the State of North Carolina. The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement, disability, 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. General employee 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. General employee 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 and rescue squad workers). Disabled members may qualify for disability benefits at earlier ages. Survivor benefits are available to eligible beneficiaries of general employee plan 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 workers 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. Cost of living benefit increases are contingent upon investment gains of the plan at the discretion of the LGERS Board of Trustees, except as authorized by the North Carolina General Assembly.

LGERS plan members who are Law Enforcement Officers (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. Effective July 1, 2019, LEOs who complete 25 years of creditable service, with 15 years as an officer, are eligible to retire with partial retirement benefits. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service, or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of creditable service as a LEO and have reached age 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 North Carolina General Statute 128-30 and may be amended only by the North Carolina General Assembly. Plan members are required to contribute 6% of their annual pay. The required contribution rates for employers are set periodically, and affirmed annually, by the LGERS Board of Trustees. The Board establishes a funding policy from which the accrued liability rates and the normal contribution rates are developed by the consulting actuary for general employees and firefighters as well as for law enforcement officers. The sum of those two rates developed under the funding policy and the past service liability contribution rates, if applicable, is the actuarially determined contribution rate (ADC). Further, the required employer contribution rates set by the Board of Trustees may not be less than the normal contribution rates developed under the established funding policy. For the fiscal year ended June 30, 2024, all employers made contributions of 14.04% of covered payroll for law enforcement officers and 12.91% for general employees and firefighters. These amounts, combined with member contributions and investment income, fund the benefits earned by plan members during the year, a payment to reduce the net pension liability, a payment for past service liability, if applicable, and administrative expenses. In addition, employers with an unfunded liability, established when the employer initially enters the system, must make additional contributions towards that liability. The State's responsibility is administrative only. Contributions to the pension plan from the Town of Valdese was \$454,577 for the year ended June 30, 2024.

Refunds of Contributions. Members who have terminated service as contributing members may file an application for a refund of their contributions. By State law, refunds to members include interest (currently 4%, per year), regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor 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 \$2,785,207 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 0.04205% which was a decrease of 0.00027% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Town recognized pension expense of \$764,558. 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	\$ 310,355	\$ 6,681
Changes in assumptions	118,355	-
Net difference between projected and actual earnings on pension plan investments	745,443	-
Changes in proportion, and differences between, the Town contributions and proportionate share of contributions	796	57,472
Town contributions subsequent to the measurement date	<u>454,577</u>	<u>-</u>
Total	<u>\$ 1,629,526</u>	<u>\$ 64,153</u>

\$454,577, 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 ending June 30, 2025. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2025	\$ 383,388
2026	204,991
2027	490,895
2028	<u>31,521</u>
	<u>\$ 1,110,795</u>

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 increase	3.25 to 8.5 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2014 through December 31, 2019.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	33.0%	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 firm's 2024 long term capital market assumptions. 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 figures. Source data provided in the 2023 Annual Comprehensive Financial Report published on the website of the NC Office of State Controller.

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

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 6.50 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Town's Proportionate share of the net pension liability (asset)	<u>\$4,825,261</u>	<u>\$2,785,207</u>	<u>\$1,105,643</u>

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

b. Law Enforcement Officers' Special Separation Allowance

1. Plan Description

Plan Description - The Town administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service 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% 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 Town law enforcement officers are covered by the Separation Allowance. At December 31, 2023, the Separation Allowance’s membership consisted of:

Inactive members currently receiving benefits	-
Active plan members	<u>11</u>
Total	<u>11</u>

2. 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 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 meet the following criteria which we outlined in GASB Statements 73.

3. Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.30 to 7.80 percent, including inflation and productivity factor
Discount rate	3.77 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2023.

Mortality rates are based on the MP-2019 Mortality Tables with adjustments for males and females.

4. 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 \$-0- as benefits came due for the reporting period.

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

At June 30, 2024, the Town reported a total pension liability of \$310,188. The total pension liability was measured as of December 31, 2023, based on a June 30, 2023 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 \$22,089.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 25,788	\$ 91,773
Changes of assumptions	67,578	49,814
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
Total	<u>\$ 93,366</u>	<u>\$ 141,587</u>

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

Year ending June 30:

2025	\$ (8,587)
2026	(7,637)
2027	(6,801)
2028	(16,583)
2029	(8,613)
Thereafter	-

Sensitivity of the Town's total pension liability to changes in the discount rate.

The following presents the Town's total pension liability calculated using the discount rate of 3.77 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 (2.77 percent) or 1-percentage-point higher (4.77 percent) than the current rate:

	<u>1% Decrease (2.77%)</u>	<u>Discount Rate (3.77%)</u>	<u>1% Increase (4.77%)</u>
Total pension liability	<u>\$318,615</u>	<u>\$310,188</u>	<u>\$276,921</u>

Schedule of Changes in Total Pension Liability

Law Enforcement Officers' Special Separation Allowance

Beginning Balance	\$ 330,993
Service cost	18,412
Interest on the total pension liability	13,405
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(58,500)
Changes of assumptions or other inputs	5,878
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 310,188</u>

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

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources 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	\$ 764,558	\$ 22,089	\$ 786,647
Pension liability	2,785,207	310,188	3,095,395
Proportionate share of the net pension liability	0.04205%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	310,355	25,788	336,143
Changes of assumptions	118,355	67,578	185,933
Net difference between projected and actual earnings on plan investments	745,443	-	745,443
Changes in proportion, and differences between, contributions and proportionate share of contributions	796	-	796
Town contributions subsequent to the measurement date	454,577	-	454,577
Deferred inflows of resources:			
Differences between expected and actual experience	6,681	91,773	98,454
Changes of assumptions	-	49,814	49,814
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion, and differences between, contributions and proportionate share of contributions	57,472	-	57,472

c. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description - The Town contributes to the Supplemental Retirement Income Plan (the "Plan"), a defined contribution pension plan administered by the Department of the 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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2024 were \$45,555, which consisted of \$32,789 from the Town, and \$12,766 from the law enforcement officers.

d. Other Post-employment 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"). This plan provides post-employment healthcare benefits to retirees of the Town, provided they participate in

the North Carolina Local Governmental Employees' Retirement System (the "System") and have at least twenty-five years of creditable service with the Town and were hired prior to July 1, 2016. The Town pays the full cost of coverage for these benefits through private insurers. Also, the Town retirees can purchase coverage for their dependents at the Town's group retiree rates. The Town Council may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB Plan consisted of the following at June 30, 2023, the date of the latest actuarial valuation:

Inactive members or beneficiaries currently receiving benefits	6
Inactive members entitled to, but not yet receiving benefits	0
Active plan members	<u>25</u>
Total	<u>31</u>

Total OPEB Liability

The Town's total OPEB liability of \$858,296 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.3 to 8.3 percent, average,
Discount rate	3.86 percent
Healthcare cost trend rates	Pre-Medicare – 7.00% for 2024, decreasing to an ultimate rate of 4.5% by 2031

The discount rate is based on the yield of the Bond Buyer 20 Year General Obligation Bond Index as of the measurement date.

Changes in the Total OPEB Liability

Balance at July 1, 2023	<u>\$ 1,013,314</u>
Changes for the year	
Service cost	27,887
Interest	35,067
Changes of benefit terms	-
Differences between expected and actual experience	(154,463)
Changes in assumptions	(18,093)
Benefit payments	<u>(45,416)</u>
Net changes	<u>(155,018)</u>
Balance at June 30, 2024	<u><u>\$ 858,296</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.86%.

Mortality rates were based on the MP-2019 Total Data Set for Healthy Annuitants Mortality Table.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period January 2015 through December 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.86 percent) or 1-percentage-point-higher (4.86 percent) than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	<u>(2.86%)</u>	<u>(3.86%)</u>	<u>(4.86%)</u>
Total OPEB liability	<u>\$914,837</u>	<u>\$858,296</u>	<u>\$805,908</u>

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:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$800,304</u>	<u>\$858,296</u>	<u>\$922,913</u>

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 \$(13,818). At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,931	\$ 238,070
Changes of assumptions	124,070	110,214
Total	<u>\$ 133,001</u>	<u>\$ 348,284</u>

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

Year ending June 30:	
2025	\$ (76,772)
2026	(76,660)
2027	(56,011)
2028	(5,840)
2029	-
Thereafter	-

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

3. Deferred Outflows and Inflows of Resources

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

Contribution to pension plan in current fiscal year	\$ 454,577
Changes of assumptions	310,003
Difference between expected and actual experience	345,074
Net difference between projected and actual earnings on pension plan investments	745,443
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	796
Total	<u>\$ 1,855,893</u>

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

Taxes receivable, less penalties (General Fund)	\$ 88,011
Differences between expected and actual experience	336,524
Changes of assumptions	160,028
Net difference between projected and actual earnings on pension plan investments	-
Changes in proportion, and differences between, employer contributions and proportionate share of contributions	57,472
Total	<u>\$ 642,035</u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded, risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$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 N.C. 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 does not carry any additional insurance for flooding.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more, at any given time, of the Town's funds are performance bonded through a commercial surety bond. The finance officer and tax collector are each individually bonded for \$50,000 and \$10,000, respectively. The remaining employees that have access to funds are bonded under a policy with the following coverage: \$10,000, per occurrence for forgery or alteration, \$5,000, per occurrence for theft inside the premises, and \$5,000, per occurrence for outside.

5. Claims, Judgments 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's attorney, the ultimate effect of these legal matters will not have a materially adverse effect on the Town's financial position.

6. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligations bonds, issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources, are reported as long-term debt in the Utility Fund. All general obligation debt is collateralized by the full faith, credit, and taxing power of the Town. In the event of a default, the Town agrees to pay the purchaser, on demand, interest on any and all amounts due and owing by the Town under the related agreements. Principal and interest requirements are appropriated when due.

The Town's bond indebtedness at June 30, 2024 is comprised of the following:

Serviced by the Utility Fund:

\$1,280,000 Water and Sewer Series 2008 Bonds with annual principal payments of \$14,000 to \$56,000 due on June 1, with interest at 4.25%, final payment due June 2048, for The Settings	<u>\$991,000</u>
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b. Installment Purchases

The Town's direct placement installment purchases are comprised of the following:

Serviced by the General Fund:

\$350,000 USDA direct installment purchase with annual payments of \$26,908, including interest at 4.50%, final payment due March 2024, secured by a fire truck	\$ 6,913
\$469,000 USDA direct installment purchase with annual payments of \$19,483, including interest at 2.75%, final payment due September 2058, secured by splash pad	426,669
\$1,826,500 USDA direct installment purchase with annual payments of \$88,878, including interest at 3.75%, final payment due November 2051, secured by town hall	1,492,276
\$85,000 bank direct installment purchase with annual payments of \$18,470, including interest at 2.83%, final payment due August 2024, secured by police cars	18,429
\$214,839 bank direct installment purchase with annual payments of \$53,743, including interest at 1.41%, final payment due September 2025, secured by vehicles and equipment	59,047
\$850,000 USDA direct installment purchase with annual payments of \$52,761, including interest at 2.75%, final payment due November 2038, secured by a fire ladder truck	662,009
Serviced by Utility Fund:	
\$58,389 bank direct installment purchase with annual payments of \$14,610, including interest at 1.41%, final payment due September 2025, secured by vehicles and equipment	16,242
\$230,913 installment purchase, with annual principal payments of \$11,546, due on May 1, with interest, and an interest only payment due November 1; interest 2.00%, final payment due May 2036, for Inflow and Infiltration	138,548
Total	<u>\$ 2,820,133</u>

c. Direct Placement Revolving Loans

Serviced by the Utility Fund:

\$466,548 Direct placement revolving loan with annual principal payments of \$19,940 due on May 1, with 0.0% interest, final payment due in 2040, water systems improvements	\$ 373,239
\$1,019,223 direct placement revolving loan with principal payment of \$85,444 due on May 1, with 0.0% interest, final payment due May 2041, for main street water line improvement	\$ 1,201,958
\$1,699,039 direct placement revolving loan with annual principal payments of \$84,952 due on May 1, with 0.0% interest, final payment due in 2040, secured by water meter project	\$ 1,409,790
\$596,461 direct placement revolving loan with annual principal payments of \$31,453 due on May 1, with 0.0% interest, final payment due May 2040, for water plant bleach conversion	\$ 534,697
\$596,609 direct placement revolving loan with principal payments of \$41,961 due on May 1, with 0.0% interest, final payment due May 2042	\$ 717,662
\$172,510 Direct placement revolving loan with annual principal payments of \$8,626 due on May 1, with 0.0% interest, final payment due in 2039, secured by St. Germain Street water lines	\$ 129,383
Total	<u>\$ 4,366,729</u>

At June 30, 2024 the Town of Valdese had a legal debt margin of \$35,627,922.

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

<u>Year Ending June 30, 2024</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 152,851	\$ 88,184	\$ 312,840	\$ 45,292
2026	84,432	84,223	301,675	43,796
2027	80,123	80,999	300,636	42,259
2028	82,681	78,441	301,636	40,881
2029	85,322	75,800	303,636	39,459
2030-2034	469,360	336,252	1,537,181	180,034
2035-2039	580,172	255,946	1,540,544	129,595
2040-2044	369,664	172,141	690,369	80,964
2045-2049	440,879	100,926	224,000	23,800
2050-2054	247,306	26,150	-	-
2055-2058	72,553	5,042	-	-
Total	<u>\$ 2,665,343</u>	<u>\$ 1,304,104</u>	<u>\$ 5,512,517</u>	<u>\$ 626,080</u>

d. Changes in Long-Term Liabilities

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024	Current Portion of Balance
Governmental activities:					
Direct placement	\$ 2,831,792	\$ -	\$ 166,449	\$ 2,665,343	\$ 152,851
Total OPEB liability	873,628	-	130,215	743,413	-
Net pension liability (LGERS)	1,671,216	278,429	-	1,949,645	-
Total pension liability (LEO)	330,993	-	20,805	310,188	-
Compensated balances	176,374	415	-	176,789	-
Governmental activity long-term liabilities	<u>\$ 5,884,003</u>	<u>\$ 278,844</u>	<u>\$ 317,469</u>	<u>\$ 5,845,378</u>	<u>\$ 152,851</u>
Business-type activities:					
Direct placement	\$ 180,147	\$ -	\$ 25,357	\$ 154,790	\$ 25,750
General obligation bonds	1,015,000	-	24,000	991,000	25,000
Total OPEB liability	139,686	-	24,803	114,883	-
Net pension liability (LGERS)	716,236	119,326	-	835,562	-
Direct placement revolving loans	4,628,818	-	262,091	4,366,727	262,090
Compensated balances	82,855	-	4,662	78,193	-
Business-type activity long-term liabilities	<u>\$ 6,762,742</u>	<u>\$ 119,326</u>	<u>\$ 340,913</u>	<u>\$ 6,541,155</u>	<u>\$ 312,840</u>

Compensated absences typically have been liquidated in the General Fund, and are accounted for on a LIFO basis, assuming that employees are taking leave time as it is earned.

e. Discretely Presented Component Unit

Debt obligation for the ABC Board for the year ended June 30, 2024 was as follows:

Leases

The ABC Board has entered into an agreement to lease store space. The lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception.

The agreement was executed on January 1, 2021, to lease store space and requires 54 monthly payments of various amounts. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 5.5%. As a result of the lease the Board has recorded a right to use asset with a net book value of \$21,131 at June 30, 2024.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024, are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2025	23,450	550	24,000
	<u>\$ 23,450</u>	<u>\$ 550</u>	<u>\$ 24,000</u>

C. Interfund Balances and Activities

Balances due to/from other funds at June 30, 2024 consist of the following:

Due to the General Fund from the Old Rock School Renovation Fund due to timing of bills paid	\$ 396,596
Total	<u>\$ 396,596</u>

Transfers to/from other funds at June 30, 2024 consist of the following:

From the General Fund to the Public Safety Building Fund - to fund project	\$ 324,000
From the General Fund to the Old Rock School Renovation Fund - to fund the project	240,950
From the General Fund to the Street Improvement Fund - to fund the project	500,000
From the General Fund to the Pool Structure Fund - to fund the project	119,340
From the Utility Fund to the General Fund - debt service	<u>221,000</u>
Total	<u>\$ 1,405,290</u>

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 \$10,928 for the salary supplement and stipend benefits paid to eligible firefighters 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 firefighters or their departments.

E. Fund Balance

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

Total fund balance - General Fund	\$ 8,724,530
Less:	
Inventories	180,274
Prepays	28,023
Stabilization by State Statute	1,090,358
Encumbrances	170,163
USDA Reserve	160,132
Streets - Powell Bill	111,674
Remaining Fund Balance	<u>\$ 6,983,906</u>

F. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 5,771,327	\$ 23,671,038
Less long-term debt	2,665,343	2,406,533
Add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 3,105,984</u>	<u>\$ 21,264,505</u>

IV. Joint Venture

The Town, in conjunction with five other local governments, established the Burke Partnership for Economic Development, Inc. The Town appoints two members of the 24-member board. The Town has an ongoing financial responsibility for the joint venture because the Partnership's continued existence depends on the participating governments' continued funding. None of the participating governments have any equity interest in the Partnership, so no equity interest has been reflected in the financial statements at June 30, 2024. In accordance with the intergovernmental agreement between the participating governments, the Town appropriated \$22,879 to the Partnership to supplement its activities. Complete financial statements for the Partnership can be obtained from the Partnership's office in Morganton, North Carolina.

V. Jointly Governed Organization

Western Piedmont Council of Governments

The Western Piedmont Council of Governments (WPCOG) is a regional planning organization. It consists of twenty-four municipalities and four counties within western North Carolina. The WPCOG's governing board is comprised of one elected official from each of these local governments and seven at-large citizen members. Each local government has one vote. The Town paid membership dues of \$4,263 during the fiscal year ended June 30, 2024.

VI. Related Organization

The five-member board of the Town of Valdese Housing Authority is appointed by the mayor of the Town of Valdese. The Town is accountable for the Housing Authority because it appoints the governing board; however, the Town is not financially accountable for the Housing Authority. The Town of Valdese is also disclosed as a related organization in the notes to the financial statements for the Town of Valdese Housing Authority.

VII. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 money.

Other

The Town is subject to the authority of various federal and State regulatory agencies. No provision has been made in these financial statements for any sanctions which could be imposed if the Town were found to be in noncompliance or violation of regulations promulgated by these agencies.

VIII. Significant Utility Customers

The Town of Valdese has four utility customers whose sales represent approximately 16% of the total Utility Sales to all customers for fiscal year 2024. Loss of these customers could have a significant impact on the Town's Utility Fund.

IX. Subsequent Event

Management has evaluated subsequent events through December 4, 2024, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, the following subsequent event requires recognition in these financial statements:

Hurricane Helene

The Town of Valdese was impacted by Hurricane Helene in late September 2024 which caused devastation to our community as well to public property and equipment. The Town has not fully assessed the damage but will seek FEMA reimbursement to help offset the damages incurred.

**Required Supplemental
Financial Data**

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-1

**Schedule of Changes in the Total OPEB Liability and Related Ratios
Last Seven Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 27,887	\$ 35,506	\$ 49,308	\$ 34,038	\$ 51,300	\$ 53,146	\$ 57,631
Interest	35,067	24,249	25,159	31,724	37,297	33,291	27,725
Changes in benefit terms	-	-	(13,533)	68,763	-	-	-
Difference between expected and actuarial experience	(154,463)	342	(149,942)	15,125	(145,954)	2,074	3,578
Changes in assumptions and other inputs	(18,093)	(112,446)	128,438	113,749	19,291	(32,452)	(53,731)
Benefit payments	(45,416)	(42,689)	(40,198)	(52,831)	(43,938)	(21,089)	(21,248)
Net change in total OPEB liability	(155,018)	(95,038)	(768)	210,568	(82,004)	34,970	13,955
Total OPEB liability, beginning	<u>1,013,314</u>	<u>1,108,352</u>	<u>1,109,120</u>	<u>898,552</u>	<u>980,556</u>	<u>945,586</u>	<u>931,631</u>
Total OPEB liability, ending	<u>\$ 858,296</u>	<u>\$ 1,013,314</u>	<u>\$ 1,108,352</u>	<u>\$ 1,109,120</u>	<u>\$ 898,552</u>	<u>\$ 980,556</u>	<u>\$ 945,586</u>
Covered payroll	\$1,201,853	\$1,661,507	\$1,661,507	\$1,879,478	\$1,879,478	\$2,711,425	\$2,711,425
Total OPEB liability as a percentage of covered payroll	71.41%	60.99%	66.71%	59.01%	47.81%	36.16%	34.87%

Notes to Schedule

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

<u>Fiscal year</u>	<u>Rate</u>
2024	3.86%
2023	3.54%
2022	2.16%
2021	2.21%
2020	3.50%
2019	3.89%

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-2

**Town of Valdese's Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Ten Fiscal Years*
Local Government Employees' Retirement System**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Valdese's proportion of the net pension liability (asset) (%)	0.04205%	0.04232%	0.04225%	0.04817%	0.04487%	0.04526%	0.04553%	0.04679%	0.04626%	0.04793%
Valdese's proportion of the net pension liability (asset) (\$)	\$ 2,785,207	\$ 2,387,452	\$ 647,944	\$ 1,721,319	\$ 1,225,365	\$ 1,073,722	\$ 695,572	\$ 993,041	\$ 207,612	\$ (282,665)
Valdese's covered employee payroll	\$ 3,431,364	\$ 3,204,580	\$ 3,106,073	\$ 3,177,195	\$ 2,988,593	\$ 3,055,887	\$ 3,046,132	\$ 2,860,645	\$ 2,739,307	\$ 2,763,622
Valdese's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	81.17%	74.50%	20.86%	54.17%	41.00%	35.13%	22.83%	34.71%	7.58%	(10.23%)
Plan fiduciary net position as a percentage of the total pension liability (asset)**	82.49%	84.14%	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%

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

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

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-3

**Town of Valdese's Contributions
Required Supplementary Information
Last Ten Fiscal Years
Local Government Employees' Retirement System**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 454,577	\$ 423,018	\$ 369,379	\$ 321,181	\$ 290,201	\$ 237,585	\$ 235,238	\$ 227,315	\$ 195,576	\$ 195,093
Contributions in relation to the contractually required contribution	<u>454,577</u>	<u>423,018</u>	<u>369,379</u>	<u>321,181</u>	<u>290,201</u>	<u>237,585</u>	<u>235,238</u>	<u>227,315</u>	<u>195,076</u>	<u>195,093</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Valdese's covered-employee payroll	<u>\$ 3,463,059</u>	<u>\$ 3,431,364</u>	<u>\$ 3,204,580</u>	<u>\$ 3,106,073</u>	<u>\$ 3,177,195</u>	<u>\$ 2,988,593</u>	<u>\$ 3,055,887</u>	<u>\$ 3,046,132</u>	<u>\$ 2,860,645</u>	<u>\$ 2,739,307</u>
Contributions as a percentage of covered-employee payroll	13.13%	12.32%	11.52%	10.34%	9.13%	7.94%	7.69%	7.46%	6.84%	7.12%

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-4

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 330,993	\$ 357,781	\$ 408,298	\$ 200,396	\$ 188,730	\$ 175,301	\$ 164,871	\$ 151,859
Service cost	18,412	25,933	25,559	15,928	12,022	13,254	11,128	13,364
Interest	13,405	8,050	7,880	6,533	6,870	5,540	6,364	5,421
Changes in benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actuarial experience	(58,500)	-	(73,491)	54,258	(14,437)	4,344	(20,472)	-
Changes in assumptions and other inputs	5,878	(60,771)	(10,465)	131,183	7,211	(9,709)	13,410	(5,773)
Benefit payments	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 310,188</u>	<u>\$ 330,993</u>	<u>\$ 357,781</u>	<u>\$ 408,298</u>	<u>\$ 200,396</u>	<u>\$ 188,730</u>	<u>\$ 175,301</u>	<u>\$ 164,871</u>

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

TOWN OF VALDESE, NORTH CAROLINA

Schedule 1-5

**Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Eight Fiscal Years**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 310,188	\$ 330,993	\$ 357,781	\$ 408,298	\$ 200,396	\$ 188,730	\$ 175,301	\$ 164,871
Covered payroll	507,857	563,191	563,191	550,520	473,632	502,527	479,954	534,204
Total pension liability as a percentage of covered payroll	61.08%	58.77%	63.53%	74.17%	42.31%	37.58%	36.52%	30.86%

Notes to schedules:

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

**Supplementary
Statements**

TOWN OF VALDESE, NORTH CAROLINA

**Schedule 2
Page 1 of 11**

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Current year	\$ 2,656,668	\$ 2,925,753	\$ 269,085
Prior years	88,000	24,294	(63,706)
Penalties and interest	10,000	6,188	(3,812)
Total ad valorem taxes	<u>2,754,668</u>	<u>2,956,235</u>	<u>201,567</u>
Other taxes and licenses:			
Unrestricted local option sales tax	<u>1,720,144</u>	<u>1,895,258</u>	<u>175,114</u>
Total other taxes and licenses	<u>1,720,144</u>	<u>1,895,258</u>	<u>175,114</u>
Unrestricted intergovernmental revenues:			
Payments in lieu of taxes -			
Valdese Housing Authority	20,000	26,188	6,188
Franchise tax	440,000	459,600	19,600
Alcohol/beverage tax	18,500	23,924	5,424
Occupancy taxes	152,000	152,845	845
Sales tax refunds	<u>(1,256)</u>	<u>(8,256)</u>	<u>(7,000)</u>
Total unrestricted intergovernmental revenues	<u>629,244</u>	<u>654,301</u>	<u>25,057</u>

cont.

TOWN OF VALDESE, NORTH CAROLINASchedule 2
Page 2 of 11**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues (Continued):			
Restricted intergovernmental revenues:			
"State Street - Aid" allocation	\$ 146,300	\$ 183,431	\$ 37,131
Total restricted intergovernmental revenues	<u>146,300</u>	<u>183,431</u>	<u>37,131</u>
Sales and services:			
Refuse collection fees	205,000	210,549	5,549
Recycling fees	45,000	46,189	1,189
Jail fees	400	863	463
Rent and miscellaneous fees	77,419	97,820	20,401
Valdese Community Center	312,700	311,365	(1,335)
Valdese Tourism Commission	1,000	195	(805)
Rock School fees	84,480	85,212	732
Community affairs	<u>23,075</u>	<u>21,045</u>	<u>(2,030)</u>
Total sales and services	<u>749,074</u>	<u>773,238</u>	<u>24,164</u>
Investment earnings:			
Interest on investments	<u>100,000</u>	<u>671,522</u>	<u>571,522</u>
Total investment earnings	<u>100,000</u>	<u>671,522</u>	<u>571,522</u>
Other revenues:			
Sale of fixed assets	-	11,700	11,700
Other	<u>(650)</u>	<u>56,908</u>	<u>57,558</u>
Total other revenues	<u>(650)</u>	<u>68,608</u>	<u>69,258</u>
Total revenues	<u>6,098,780</u>	<u>7,202,594</u>	<u>1,103,815</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 3 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
General government:			
Governing body:			
Salaries and wages	\$ -	\$ 16,900	\$ -
FICA tax expense	-	1,232	-
Group insurance	-	44,662	-
Travel	-	1,105	-
Miscellaneous	-	1,048	-
Total governing body	<u>76,989</u>	<u>64,946</u>	<u>12,043</u>
Administration:			
Salaries and wages	-	488,241	-
Professional services	-	164,597	-
FICA tax expense	-	35,875	-
Group insurance	-	39,823	-
Retirement	-	43,019	-
Telephone and postage	-	24,556	-
Utilities	-	9,599	-
Travel	-	10,914	-
Maintenance and repair - buildings and grounds	-	14,349	-
Maintenance and repair - equipment	-	3,249	-
Advertising	-	2,850	-
Auto supplies	-	249	-
Supplies and materials	-	11,497	-
Dues and subscriptions	-	20,476	-
Printing expense	-	298	-
Insurance and bonds	-	132,634	-
Contracted services	-	29,805	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 4 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Administration (continued):			
Burke County Public Library	\$ -	\$ 40,000	\$ -
Capital outlay	-	28,316	-
Debt service	-	88,878	-
Miscellaneous	-	69,180	-
Utility fund reimbursement	-	(557,900)	-
Total administration	876,362	700,506	175,856
Planning and zoning:			
Salaries and wages	-	44,732	-
Professional services	-	91	-
FICA tax expense	-	3,315	-
Supplies and materials	-	700	-
Condeminations	-	555	-
Capital outlay	-	11,331	-
Miscellaneous	-	716	-
Total planning and zoning	163,861	61,441	102,420
Public works:			
Salaries and wages	-	270,849	-
FICA tax expense	-	20,060	-
Group insurance	-	48,479	-
Retirement	-	32,804	-
Utilities	-	12,034	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 5 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Public works (continued):			
Travel	\$ -	\$ 1,195	\$ -
Maintenance and repair - buildings and grounds	-	10,488	-
Maintenance and repair - equipment	-	3,807	-
Maintenance and repair - autos and trucks	-	1,761	-
Auto supplies	-	14,180	-
Supplies and materials	-	5,393	-
Chemicals	-	2,944	-
Uniforms	-	3,667	-
Contracted services	-	3,845	-
Arbor beautification	-	3,726	-
Capital outlay	-	23,206	-
Miscellaneous	-	3,011	-
Utility fund reimbursement	-	(204,578)	-
Total public works	315,684	256,870	58,814
Total general government	1,432,896	1,083,763	349,133
Public safety:			
Police department:			
Salaries and wages	-	728,448	-
FICA tax expense	-	54,526	-
Group insurance	-	114,501	-
Retirement	-	97,583	-
Deferred compensation	-	31,557	-
Professional services	-	1,860	-
Telephone and postage	-	6,758	-
Travel	-	1,582	-
Maintenance and repair - buildings and grounds	-	2,462	-
Maintenance and repair - equipment	-	2,448	-
Maintenance and repair - auto and trucks	-	8,333	-
Auto supplies	-	52,824	-
Supplies and materials	-	22,797	-
Uniforms	-	18,229	-
IT	-	8,802	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 6 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Police department (continued):			
Dues and subscriptions	\$ -	\$ 118	\$ -
Capital outlay	-	44,672	-
Contracted services	-	26,710	-
Debt service	-	18,470	-
Total police department	<u>1,345,563</u>	<u>1,242,680</u>	<u>102,883</u>
Fire department:			
Salaries and wages	-	433,581	-
FICA tax expense	-	33,314	-
Group insurance	-	77,456	-
Retirement	-	49,342	-
Professional services	-	5,755	-
Telephone and postage	-	657	-
Utilities	-	17,758	-
Travel	-	13,525	-
Maintenance and repair - buildings and grounds	-	9,068	-
Maintenance and repair - equipment	-	10,165	-
Maintenance and repair - autos and trucks	-	16,450	-
Auto supplies	-	25,730	-
Supplies and materials	-	40,244	-
Uniforms	-	5,213	-
Insurance and bonds	-	22,735	-
Dues and subscriptions	-	3,961	-
Printing	-	700	-
Fire safety expense	-	8,060	-
IT	-	8,735	-
Debt service	-	79,669	-
Total fire department	<u>900,250</u>	<u>862,118</u>	<u>38,132</u>
Total public safety	<u>2,245,813</u>	<u>2,104,798</u>	<u>141,015</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 7 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Environmental protection:			
Sanitation department:			
Salaries and wages	\$ -	\$ 36,033	\$ -
FICA tax expenses	-	2,717	-
Group insurance	-	8,556	-
Retirement	-	4,585	-
Maintenance and repair - equipment	-	51	-
Maintenance and repair - autos and trucks	-	1,055	-
Auto supplies	-	5,090	-
Supplies and materials	-	1,155	-
Uniforms	-	585	-
Chemicals	-	102	-
Contracted services	-	294,308	-
Capital outlay - equipment	-	160,092	-
Miscellaneous	-	1,055	-
Total sanitation department	<u>558,199</u>	<u>515,384</u>	<u>42,815</u>
Total environmental protection	<u>558,199</u>	<u>515,384</u>	<u>42,815</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 8 of 11

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Transportation:			
Street department:			
Salaries and wages	\$ -	\$ 150,886	\$ -
FICA tax expense	-	11,124	-
Group insurance	-	33,622	-
Retirement expense	-	19,211	-
Utilities	-	73,067	-
Maintenance and repair - buildings and grounds	-	10,975	-
Maintenance and repair - equipment	-	11,671	-
Maintenance and repair - autos and trucks	-	6,830	-
Auto supplies	-	18,950	-
Supplies and materials	-	3,432	-
Chemicals	-	1,928	-
Uniforms	-	2,400	-
Contracted services	-	1,078	-
Debt service	-	53,743	-
Total street department	<u>418,820</u>	<u>398,918</u>	<u>19,902</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 9 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Powell Bill:			
Supplies and materials	\$ -	\$ 2,280	\$ -
Maintenance and repair	-	13,226	-
Snow and ice removal	-	552	-
Total Powell Bill	<u>23,854</u>	<u>16,058</u>	<u>7,796</u>
Total transportation	<u>442,674</u>	<u>414,976</u>	<u>27,698</u>
Cultural and recreational:			
Recreation:			
Salaries and wages	-	533,428	-
FICA tax expense	-	39,761	-
Group insurance	-	56,124	-
Retirement	-	35,551	-
Telephone and postage	-	1,048	-
Utilities	-	92,279	-
Travel	-	2,498	-
Maintenance and repair - buildings and grounds	-	66,872	-
Maintenance and repair - equipment	-	16,740	-
Maintenance and repair - autos and trucks	-	909	-
Auto supplies	-	3,983	-
Supplies and materials	-	21,315	-
Chemicals	-	14,254	-
Purchases for resale	-	43,521	-
Dues and subscriptions	-	4,018	-
Swim team	-	1,960	-
Triathlon	-	4,454	-
Uniforms	-	1,000	-
Contracted services	-	36,670	-
Advertising	-	1,032	-
Capital outlay	-	110,669	-
Debt service	-	19,483	-
Professional services	-	986	-
Total recreation	<u>1,135,166</u>	<u>1,108,556</u>	<u>26,610</u>

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2
Page 10 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Community affairs:			
Salaries and wages	\$ -	\$ 201,468	\$ -
FICA tax expense	-	14,882	-
Group insurance	-	32,443	-
Retirement expense	-	21,986	-
Printing	-	4,499	-
Utilities	-	42,474	-
Supplies and materials	-	20,488	-
Telephone and postage	-	5,223	-
Maintenance and repair	-	26,413	-
Advertising	-	7,779	-
Contracted services	-	118,174	-
Dues and subscriptions	-	1,048	-
Building reuse and facade	-	5,000	-
Main Street program	-	3,001	-
Valdese Tourism Commission	-	129,411	-
Festival	-	28,674	-
IT	-	499	-
Capital outlay	-	86,863	-
Concession stand trailer	-	3,804	-
Miscellaneous	-	7,192	-
Utility fund reimbursement	-	(337,522)	-
Total community affairs	447,365	423,796	23,569

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 2, cont.

Page 11 of 11

**General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total cultural and recreational	<u>\$ 1,582,530</u>	<u>\$ 1,532,352</u>	<u>\$ 50,178</u>
Total expenditures	<u>6,262,112</u>	<u>5,651,273</u>	<u>610,840</u>
Revenues over (under) expenditures	<u>(163,333)</u>	<u>1,551,321</u>	<u>1,714,654</u>
Other Financing Sources (Uses):			
Operating transfers - in (out)			
Capital project funds	(1,184,290)	(1,184,290)	-
Enterprise fund	221,000	221,000	-
Appropriated fund balance	<u>1,126,623</u>	<u>-</u>	<u>(1,126,623)</u>
Total other financing sources (uses)	<u>163,333</u>	<u>(963,290)</u>	<u>(1,126,623)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>588,030</u>	<u>\$ 588,030</u>
Fund balance, July 1		<u>8,136,499</u>	
Fund balance, June 30		<u>\$ 8,724,530</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 3
Page 1 of 2

**Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2024**

	Special Revenue Fund	Capital Project Funds				
	Public Art Fund	Street Improvements Fund	Lakeside Park Phase I Project Fund	Pool Structure Fund	Old Rock School Renovation Fund	Community Center Gym Renovation Fund
<u>Assets</u>						
Current assets:						
Cash and investments	\$ 40,901	\$ 1,500	\$ 18,722	\$ 97,572	\$ -	\$ 13,239
Total assets	<u>\$ 40,901</u>	<u>\$ 1,500</u>	<u>\$ 18,722</u>	<u>\$ 97,572</u>	<u>\$ -</u>	<u>\$ 13,239</u>
<u>Liabilities and Fund Balances</u>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 38,811	\$ -
Due to other funds	-	-	-	-	396,596	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,407</u>	<u>-</u>
Fund balance:						
Restricted:						
Town revitalization	40,901	-	-	-	-	-
Assigned:						
Capital projects	-	1,500	18,722	97,572	(435,407)	13,239
Total fund balance	<u>40,901</u>	<u>1,500</u>	<u>18,722</u>	<u>97,572</u>	<u>(435,407)</u>	<u>13,239</u>
Total liabilities and fund balances	<u>\$ 40,901</u>	<u>\$ 1,500</u>	<u>\$ 18,722</u>	<u>\$ 97,572</u>	<u>\$ -</u>	<u>\$ 13,239</u>

TOWN OF VALDESE, NORTH CAROLINA

**Schedule 3
Page 2 of 2**

**Combining Balance Sheet
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2024**

	Capital Project Funds						Total Nonmajor Governmental Funds	
	Capital Outlay Fund	Community Center Renovation Fund	Public Safety Building Project Fund	Lake Rhodhiss Capital Project Fund	Police Dept. Capital Project Fund	McGalliard Creek Bridge Fund		Total
<u>Assets</u>								
Current assets:								
Cash and investments	\$ 843,351	\$ -	\$ 1,116,272	\$ 143,350	\$ 136	\$ -	\$ 2,234,142	\$ 2,275,043
Total assets	<u>\$ 843,351</u>	<u>\$ -</u>	<u>\$ 1,116,272</u>	<u>\$ 143,350</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 2,234,142</u>	<u>\$ 2,275,043</u>
<u>Liabilities and Fund Balances</u>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,811	\$ 38,811
Due to other funds	-	-	-	-	-	-	396,596	396,596
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,407</u>	<u>435,407</u>
Fund balance:								
Restricted:								
Town revitalization	-	-	-	-	-	-	-	40,901
Assigned:								
Capital projects	843,351	-	1,116,272	143,350	136	-	1,798,735	1,798,735
Total fund balance	<u>843,351</u>	<u>-</u>	<u>1,116,272</u>	<u>143,350</u>	<u>136</u>	<u>-</u>	<u>1,798,735</u>	<u>1,839,636</u>
Total liabilities and fund balances	<u>\$ 843,351</u>	<u>\$ -</u>	<u>\$ 1,116,272</u>	<u>\$ 143,350</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 2,234,142</u>	<u>\$ 2,275,043</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4
Page 1 of 2

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2024**

	<u>Special Revenue Fund</u>	<u>Capital Project Funds</u>				
	<u>Public Art Fund</u>	<u>Street Improvements Fund</u>	<u>Lakeside Park Phase I Project Fund</u>	<u>Pool Structure Fund</u>	<u>Old Rock School Renovation Fund</u>	<u>Community Center Gym Renovation Fund</u>
Revenues:						
Other local revenues:						
Miscellaneous	\$ -	\$ -	\$ 18,723	\$ -	\$ 70,441	\$ 200
Restricted intergovernmental revenues:						
Grants	-	-	47,472	-	63,691	-
Investment earnings:						
Interest earned	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>66,195</u>	<u>-</u>	<u>134,132</u>	<u>200</u>
Expenditures:						
Public safety	-	-	-	-	-	-
Economic and physical development	5,174	498,500	30,000	21,768	775,191	17,902
Total expenditures	<u>5,174</u>	<u>498,500</u>	<u>30,000</u>	<u>21,768</u>	<u>775,191</u>	<u>17,902</u>
Revenues over (under) expenditures	<u>(5,174)</u>	<u>(498,500)</u>	<u>36,195</u>	<u>(21,768)</u>	<u>(641,059)</u>	<u>(17,703)</u>
Other Financing Sources (Uses):						
From (to) General Fund	-	500,000	-	119,340	240,950	-
Total other financing sources (uses)	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>119,340</u>	<u>240,950</u>	<u>-</u>
Revenues and other sources over (under) expenditures and other uses	(5,174)	1,500	36,195	97,572	(400,110)	(17,703)
Fund balances (deficit), beginning of year	<u>46,075</u>	<u>-</u>	<u>(17,473)</u>	<u>-</u>	<u>(35,297)</u>	<u>30,941</u>
Fund balances (deficit), end of year	<u>\$ 40,901</u>	<u>\$ 1,500</u>	<u>\$ 18,722</u>	<u>\$ 97,572</u>	<u>\$ (435,407)</u>	<u>\$ 13,239</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4
Page 2 of 2

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit)
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2024**

	<u>Capital Project Funds</u>						<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Outlay Fund</u>	<u>Community Center Renovation Fund</u>	<u>Public Safety Building Project Fund</u>	<u>Lake Rhodhiss Capital Project Fund</u>	<u>Police Dept. Capital Project Fund</u>	<u>McGalliard Creek Bridge Fund</u>		
Revenue:								
Other local revenues:								
Miscellaneous	\$ -	\$ -	\$ 126,321	\$ -	\$ 10	\$ (18,723)	\$ 196,972	\$ 196,972
Restricted intergovernmental revenues:								
Grants	-	-	-	-	-	-	111,163	111,163
Investment earnings:								
Interest earned	36,800	-	-	-	-	-	36,800	36,800
Total revenues	<u>36,800</u>	<u>-</u>	<u>126,321</u>	<u>-</u>	<u>10</u>	<u>(18,723)</u>	<u>344,935</u>	<u>344,935</u>
Expenditures:								
Public safety	-	-	413,560	-	-	-	413,560	413,560
Economic and physical development	-	11,518	-	-	-	13,469	1,368,348	1,373,522
Total expenditures	<u>-</u>	<u>11,518</u>	<u>413,560</u>	<u>-</u>	<u>-</u>	<u>13,469</u>	<u>1,781,908</u>	<u>1,787,082</u>
Revenues over (under) expenditures	<u>36,800</u>	<u>(11,518)</u>	<u>(287,239)</u>	<u>-</u>	<u>10</u>	<u>(32,192)</u>	<u>(1,436,973)</u>	<u>(1,442,147)</u>
Other Financing Sources (Uses):								
From (to) General Fund	-	-	324,000	-	-	-	1,184,290	1,184,290
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>324,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,184,290</u>	<u>1,184,290</u>
Revenues and other sources over (under) expenditures and other uses	36,800	(11,518)	36,761	-	10	(32,192)	(252,683)	(257,857)
Fund balances (deficit), beginning of year	<u>806,551</u>	<u>11,518</u>	<u>1,079,511</u>	<u>143,350</u>	<u>126</u>	<u>32,192</u>	<u>2,051,419</u>	<u>2,097,494</u>
Fund balances (deficit), end of year	<u>\$ 843,351</u>	<u>\$ -</u>	<u>\$ 1,116,272</u>	<u>\$ 143,350</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 1,798,735</u>	<u>\$ 1,839,636</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-1

Lakeside Park Phase I Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2024

	<u>Project</u> <u>Authorization</u>	<u>Prior</u> <u>Years</u>	<u>Actual</u> <u>Current</u> <u>Year</u>	<u>Total to</u> <u>Date</u>
Revenues:				
Contributions	\$ 364,582	\$ 345,858	\$ 18,723	\$ 364,581
Restricted intergovernmental revenues:				
Grants	<u>594,945</u>	<u>547,473</u>	<u>47,472</u>	<u>594,945</u>
Total revenues	<u>959,527</u>	<u>893,331</u>	<u>66,195</u>	<u>959,526</u>
Expenditures:				
Administration	10,000	10,000	-	10,000
Engineering	48,000	48,000	-	48,000
Design	89,160	89,160	-	89,160
Survey	10,000	10,000	-	10,000
Construction	<u>802,367</u>	<u>753,644</u>	<u>30,000</u>	<u>783,644</u>
Total expenditures	<u>959,527</u>	<u>910,804</u>	<u>30,000</u>	<u>940,804</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (17,473)</u>	36,195	<u>\$ 18,722</u>
Fund balance, beginning of year			<u>(17,473)</u>	
Fund balance, end of year			<u>\$ 18,722</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-2

**Public Safety Building Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
ABC distributions	\$ 81,774	\$ 461,773	\$ 87,121	\$ 548,894
State grant	500,000	500,000	-	500,000
Land sale	-	112,000	39,200	151,200
Total revenues	<u>581,774</u>	<u>1,073,773</u>	<u>126,321</u>	<u>1,200,094</u>
Expenditures:				
Professional services	44,024	44,024	(0)	44,024
Architect contract	364,135	250,606	13,560	264,166
Land acquisition	498,132	98,132	400,000	498,132
Existing facility assessment	25,500	25,500	-	25,500
Construction	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,431,791</u>	<u>418,262</u>	<u>413,560</u>	<u>831,822</u>
Revenues over (under) expenditures	<u>(850,017)</u>	<u>655,511</u>	<u>(287,239)</u>	<u>368,272</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>850,017</u>	<u>424,000</u>	<u>324,000</u>	<u>748,000</u>
Total other financing sources (uses)	<u>850,017</u>	<u>424,000</u>	<u>324,000</u>	<u>748,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 1,079,511</u>	36,761	<u>\$ 1,116,272</u>
Fund balance, beginning of year			<u>1,079,511</u>	
Fund balance, end of year			<u>\$ 1,116,272</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-3

**Public Art Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 6,476	\$ 70,476	\$ -	\$ 70,476
Restricted intergovernmental revenues:				
Grants	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>60,476</u>	<u>70,476</u>	<u>-</u>	<u>70,476</u>
Expenditures:				
Display	2,517	2,516	-	2,516
Public art	<u>74,559</u>	<u>38,485</u>	<u>5,174</u>	<u>43,659</u>
Total expenditures	<u>77,076</u>	<u>41,001</u>	<u>5,174</u>	<u>46,175</u>
Revenues over (under) expenditures	<u>(16,600)</u>	<u>29,475</u>	<u>(5,174)</u>	<u>24,301</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>16,600</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Total other financing sources (uses)	<u>16,600</u>	<u>16,600</u>	<u>-</u>	<u>16,600</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 46,075</u>	(5,174)	<u>\$ 40,901</u>
Fund balance, beginning of year			<u>46,075</u>	
Fund balance, end of year			<u>\$ 40,901</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-4

**Street Improvements Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering services	45,100	-	43,600	43,600
Street improvements	444,225	-	444,225	444,225
Contingency	<u>10,675</u>	<u>-</u>	<u>10,675</u>	<u>10,675</u>
Total expenditures	<u>500,000</u>	<u>-</u>	<u>498,500</u>	<u>498,500</u>
Revenues over (under) expenditures	<u>(500,000)</u>	<u>-</u>	<u>(498,500)</u>	<u>(498,500)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	1,500	<u>\$ 1,500</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 1,500</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-5

Capital Outlay Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment earnings	\$ 275,000	\$ 36,800	\$ (238,200)
Expenditures	<u>275,000</u>	<u>-</u>	<u>275,000</u>
Revenues over (under) expenditures	<u>\$ -</u>	36,800	<u>\$ 36,800</u>
Fund balance, beginning of year		<u>806,551</u>	
Fund balance, end of year		<u>\$ 843,351</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-6

**Lake Rhodhiss Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Other local revenues:				
Town of Drexel	\$ 133,400	\$ 81,108	\$ -	\$ 81,108
Burke County	<u>106,800</u>	<u>62,421</u>	<u>-</u>	<u>62,421</u>
Total other local revenues	240,200	143,529	-	143,529
Investment earnings	<u>-</u>	<u>513,868</u>	<u>-</u>	<u>513,868</u>
Total revenues	<u>240,200</u>	<u>657,397</u>	<u>-</u>	<u>657,397</u>
Expenditures:				
Maintenance and repair	32,000	32,000	-	32,000
Miscellaneous	-	13,715	-	13,715
Capital outlay	<u>27,900</u>	<u>27,900</u>	<u>-</u>	<u>27,900</u>
Total expenditures	<u>59,900</u>	<u>73,615</u>	<u>-</u>	<u>73,615</u>
Revenues over (under) expenditures	<u>180,300</u>	<u>583,782</u>	<u>-</u>	<u>583,782</u>
Other Financing Sources (Uses):				
Operating transfers - in (out):				
To Utility Fund	(1,940,100)	(811,280)	-	(811,280)
From Utility Fund	1,759,800	974,691	-	974,691
To General Fund	-	(728,845)	-	(728,845)
From Capital Projects	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total other financing sources (uses)	<u>(180,300)</u>	<u>(440,434)</u>	<u>-</u>	<u>(440,434)</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 143,350</u>	<u>-</u>	<u>\$ 143,350</u>
Fund balance, beginning of year			<u>143,350</u>	
Fund balance, end of year			<u>\$ 143,350</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-7

**Police Department Capital Project Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Restricted intergovernmental revenues:				
Drug abuse funds	\$ 10,000	\$ 16,071	\$ 10	\$ 16,081
Investment earnings:				
Interest earned	-	404	-	404
Total revenues	<u>10,000</u>	<u>16,475</u>	<u>10</u>	<u>16,485</u>
Expenditures:				
Repairs and maintenance	10,000	1,290	-	1,290
Capital outlay - equipment	<u>88,300</u>	<u>93,092</u>	<u>-</u>	<u>93,092</u>
Total expenditures	<u>98,300</u>	<u>94,382</u>	<u>-</u>	<u>94,382</u>
Revenues over (under) expenditures	<u>(88,300)</u>	<u>(77,907)</u>	<u>10</u>	<u>(77,897)</u>
Other Financing Sources (Uses):				
Operating transfers - in (out)				
From General Fund	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Total other financing sources (uses)	<u>88,300</u>	<u>78,033</u>	<u>-</u>	<u>78,033</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 126</u>	10	<u>\$ 136</u>
Fund balance, beginning of year			<u>126</u>	
Fund balance, end of year			<u>\$ 136</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-8

**McGalliard Creek Bridge Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 62,419	\$ 81,142	\$ (18,723)	\$ 62,419
Grants	<u>157,500</u>	<u>157,500</u>	<u>-</u>	<u>157,500</u>
Total revenues	<u>219,919</u>	<u>238,642</u>	<u>(18,723)</u>	<u>219,919</u>
Expenditures:				
Professional services	24,433	22,300	2,133	24,433
NCFMP review fee	8,000	8,000	-	8,000
Bidding and award	850	850	-	850
Grant administration	5,000	-	5,000	5,000
Construction administration	17,500	17,500	-	17,500
Construction	149,844	149,500	344	149,844
Contingency	<u>14,292</u>	<u>8,300</u>	<u>5,992</u>	<u>14,292</u>
Total expenditures	<u>219,919</u>	<u>206,450</u>	<u>13,469</u>	<u>219,919</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 32,192</u>	<u>(32,192)</u>	<u>\$ -</u>
Fund balance, beginning of year			<u>32,192</u>	
Fund balance, end of year			<u>\$ -</u>	

This project was completed and closed out during the year ending June 30, 2024.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-9

**Old Rock School Renovation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grants	\$ 1,397,500	\$ -	\$ 63,691	\$ 63,691
Donations	211,225	-	70,441	70,441
Town match	240,950	-	240,950	240,950
Total revenues	<u>1,849,675</u>	<u>-</u>	<u>375,081</u>	<u>375,081</u>
Expenditures:				
Renovations	1,377,650	-	586,092	586,092
Professional services	120,300	35,105	45,637	80,742
Auditorium seating	151,225	-	-	-
Grant administration	25,000	-	-	-
ARC grant	120,000	-	106,877	106,877
Contingency	55,500	192	36,586	36,778
Total expenditures	<u>1,849,675</u>	<u>35,297</u>	<u>775,191</u>	<u>810,488</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (35,297)</u>	(400,110)	<u>\$ (435,407)</u>
Fund balance (deficit), beginning of year			<u>(35,297)</u>	
Fund balance (deficit), end of year			<u>\$ (435,407)</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-10

Hoyle Creek Restoration Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2024

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
State grant	<u>\$ 2,200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Restoration	2,000,000	-	-	-
Contingency	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ -</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-11

**Community Center Gym Renovation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Contributions	\$ 182,489	\$ 186,940	\$ 200	\$ 187,140
Town match	<u>50,000</u>	<u>50,000</u>	-	<u>50,000</u>
Total revenues	<u>232,489</u>	<u>236,940</u>	<u>200</u>	<u>237,140</u>
Expenditures:				
Renovations	331,731	322,425	9,306	331,731
Contingency	<u>30,004</u>	<u>12,819</u>	<u>8,596</u>	<u>21,415</u>
Total expenditures	<u>361,735</u>	<u>335,244</u>	<u>17,902</u>	<u>353,146</u>
Revenues over (under) expenditures	<u>(129,246)</u>	<u>(98,305)</u>	<u>(17,703)</u>	<u>(116,007)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>129,246</u>	<u>129,246</u>	-	<u>129,246</u>
Total other financing sources (uses)	<u>129,246</u>	<u>129,246</u>	-	<u>129,246</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ 30,941</u>	(17,703)	<u>\$ 13,239</u>
Fund balance (deficit), beginning of year			<u>30,941</u>	
Fund balance (deficit), end of year			<u>\$ 13,239</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-12

**Pool Structure Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering services	112,840	-	21,768	21,768
Site evaluation testing	<u>6,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>119,340</u>	<u>-</u>	<u>21,768</u>	<u>21,768</u>
Revenues over (under) expenditures	<u>(119,340)</u>	<u>-</u>	<u>(21,768)</u>	<u>(21,768)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>119,340</u>	<u>-</u>	<u>119,340</u>	<u>119,340</u>
Total other financing sources (uses)	<u>119,340</u>	<u>-</u>	<u>119,340</u>	<u>119,340</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	97,572	<u>\$ 97,572</u>
Fund balance, beginning of year			<u>-</u>	
Fund balance, end of year			<u>\$ 97,572</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 4-13

**Community Center Renovation Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Renovations	587,921	587,921	-	587,921
Contingency	29,396	17,878	11,518	29,396
Total expenditures	<u>617,317</u>	<u>605,799</u>	<u>11,518</u>	<u>617,317</u>
Revenues over (under) expenditures	<u>(617,317)</u>	<u>(605,799)</u>	<u>(11,518)</u>	<u>(617,317)</u>
Other Financing Sources (Uses):				
Operating transfers - in from General Fund	<u>617,317</u>	<u>-</u>	<u>-</u>	<u>617,317</u>
Total other financing sources (uses)	<u>617,317</u>	<u>-</u>	<u>-</u>	<u>617,317</u>
Revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ (605,799)</u>	(11,518)	<u>\$ -</u>
Fund balance (deficit), beginning of year			<u>11,518</u>	
Fund balance (deficit), end of year			<u>\$ -</u>	

This project was completed and closed out during the year ending June 30, 2024.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5

**Utility Fund
Statement of Revenues - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating revenues:			
Charges for services:			
Water charges	\$ 2,971,500	\$ 3,146,564	\$ 175,064
Wastewater charges	1,199,950	1,214,439	14,489
Contract sales	840,740	967,439	126,699
Total charges for services	<u>5,012,190</u>	<u>5,328,442</u>	<u>316,252</u>
Other operating revenues:			
Tap and connection fees	10,000	111,710	101,710
Long term monitoring fees	18,500	18,500	(0)
Utility bill penalties	51,000	89,224	38,224
Meter usage charge	479,520	485,984	6,464
Reconnection fees	<u>35,000</u>	<u>115,823</u>	<u>80,823</u>
Total other operating revenues	<u>594,020</u>	<u>821,241</u>	<u>227,221</u>
Total operating revenues	<u>5,606,210</u>	<u>6,149,682</u>	<u>543,472</u>
Nonoperating revenues:			
Interest on investments	5,000	46,405	41,405
Rent-nonoperating property	1,800	-	(1,800)
Debt assistance-Town of Drexel	-	183	183
Sale of fixed assets	-	14,000	14,000
Miscellaneous	-	(5,889)	(5,889)
Fund balance appropriated	<u>815,610</u>	<u>-</u>	<u>(815,610)</u>
Total nonoperating revenues	<u>822,410</u>	<u>54,699</u>	<u>(767,711)</u>
Total revenues	<u>\$ 6,428,620</u>	<u>\$ 6,204,382</u>	<u>\$ (224,238)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1
Page 1 of 4

**Utility Fund
Statement of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Administration:			
General Fund - administrative services:			
Reimbursement	\$ 1,122,524	\$ 1,122,524	\$ -
Total administration	<u>1,122,524</u>	<u>1,122,524</u>	<u>-</u>
Water and supply treatment:			
Salaries and wages	-	426,283	-
Professional services	-	2,095	-
FICA tax expense	-	31,877	-
Group insurance	-	74,682	-
Retirement	-	54,611	-
Telephone and postage	-	1,111	-
Utilities	-	292,061	-
Travel	-	2,471	-
Maintenance and repair - building and grounds	-	11,860	-
Maintenance and repair - equipment	-	23,427	-
Maintenance and repair - autos and trucks	-	271	-
Auto and truck supplies	-	4,566	-
Supplies and materials	-	7,247	-
Chemicals	-	232,781	-
Uniforms	-	5,908	-
Contracted services	-	4,940	-
Dues and subscriptions	-	10,794	-
Laboratory supplies	-	15,903	-
Water testing	-	6,613	-
Insurance and bonds	-	24,342	-

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1
Page 2 of 4

**Utility Fund
Statement of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2024**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and supply treatment (continued):			
Safety	\$ -	\$ 1,630	\$ -
Economic incentives	-	12,500	-
Total water supply and treatment	<u>1,250,032</u>	<u>1,247,973</u>	<u>2,059</u>
Waste water treatment:			
Salaries and wages	-	396,063	-
Professional services	-	13,633	-
FICA tax expense	-	29,363	-
Group insurance	-	81,761	-
Retirement	-	50,602	-
Telephone and postage	-	3,264	-
Utilities	-	200,951	-
Travel	-	2,703	-
Maintenance and repair - buildings and grounds	-	89,112	-
Maintenance and repair - equipment	-	78,551	-
Maintenance and repair - autos and trucks	-	1,725	-
Auto and truck supplies	-	5,161	-
Laboratory supplies	-	11,997	-
Insurance bonds	-	28,000	-
Supplies and materials	-	11,713	-
Chemicals	-	117,955	-
Uniforms	-	5,329	-
Contracted services	-	15,840	-
Long term monitoring	-	28,439	-
Dues and subscriptions	-	8,291	-
Wood chips	-	30,175	-
Safety	-	1,910	-
Economic incentives	-	12,500	-
Total waste water treatment	<u>1,273,723</u>	<u>1,225,037</u>	<u>48,686</u>
			cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1

Page 3 of 4

Utility Fund

Statement of Expenditures - Budget and Actual (Non-GAAP)

For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures (Continued):			
Water and sewer maintenance:			
Salaries and wages	\$ -	\$ 374,630	\$ -
Professional services	-	50,310	-
Travel expense	-	1,509	-
FICA tax expense	-	28,049	-
Group insurance	-	57,164	-
Retirement	-	42,520	-
Maintenance and repair - buildings and grounds	-	28,859	-
Maintenance and repair - equipment	-	74,059	-
Maintenance and repair - autos and trucks	-	3,663	-
Auto and truck supplies	-	20,711	-
Supplies and materials	-	75,334	-
Contracted services	-	104,408	-
Utilities	-	24,849	-
Uniforms	-	3,278	-
Insurance and bonds	-	28,612	-
Meters	-	5,226	-
Miscellaneous expense	-	7,402	-
Total water and sewer maintenance	<u>1,041,101</u>	<u>930,583</u>	<u>110,518</u>
Budgetary appropriations:			
Capital outlay-waste water treatment plant	369,000	-	369,000
Capital outlay-water supply and treatment	493,165	5,504	487,661
Capital outlay-water and sewer maintenance	299,685	210,081	89,604
Payment on debt principal	310,448	311,448	(1,000)
Interest and fees	47,942	46,938	1,005
Transfers	221,000	221,000	-
Total budgetary appropriations	<u>1,741,240</u>	<u>794,971</u>	<u>946,270</u>
Total expenditures	<u>\$ 6,428,620</u>	<u>\$ 5,321,088</u>	<u>\$ 1,107,533</u>

Note: Prepared on the Budgetary Basis which is modified accrual.

cont.

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-1,cont.

Page 4 of 4

Utility Fund
Statement of Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>
Reconciliation from Budgetary Basis (Modified) Accrual Basis) to Full Accrual Basis:			
Total revenues on Schedule 5		\$ 6,204,382	
Total expenditures on Schedule 5-1		<u>5,321,088</u>	
Revenues over (under) expenditures		883,294	
Budgetary appropriations (above):			
Payment of debt principal		311,448	
Adjustment for contributed capital		158,382	
Capital outlay		215,585	
Increase (decrease) in inventory		(54,307)	
(Increase) decrease in accrued vacation pay		4,663	
(Increase) decrease in other postemployment benefits		24,803	
Increase (decrease) in deferred outflows - OPEB		(6,694)	
(Increase) decrease in deferred inflows - OPEB		(8,631)	
(Increase) decrease in net pension liability		(119,326)	
Increase (decrease) in deferred outflows - pension		19,460	
(Increase) decrease in deferred inflows - pension		5,995	
Depreciation		<u>(1,392,124)</u>	
Change in net position (Exhibit 9)		<u>\$ 42,548</u>	

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-2

**Utility Capital Projects Fund
Valdese Bluffs Water Line
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
State grant	\$ 80,403	\$ -	\$ -	\$ -
Total revenues	<u>80,403</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Planning	6,015	1,400	-	1,400
Design	6,200	6,200	-	6,200
Construction	<u>68,188</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Total expenditures	<u>80,403</u>	<u>13,600</u>	<u>-</u>	<u>13,600</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (13,600)</u>	<u>\$ -</u>	<u>\$ (13,600)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-3

**Utility Capital Projects Fund
Cline Avenue Basin & Pump Station
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Engineering	22,000	22,000	-	22,000
Design	89,000	40,900	48,100	89,000
Bidding and award	7,000	-	6,500	6,500
Construction administration	72,000	-	-	-
Planning and funding administration	20,000	-	-	-
Loan closing fee	30,300	-	-	-
Legal/administration	5,000	-	-	-
Contingency	115,800	-	-	-
Construction	<u>1,158,190</u>	<u>-</u>	<u>480</u>	<u>480</u>
Total expenditures	<u>1,519,290</u>	<u>62,900</u>	<u>55,080</u>	<u>117,980</u>
Revenues over (under) expenditures	<u>(1,519,290)</u>	<u>(62,900)</u>	<u>(55,080)</u>	<u>(117,980)</u>
Other Financing Sources (Uses):				
Utility fund contributions	30,780	23,520	7,260	30,780
SRP loan	<u>1,488,510</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>1,519,290</u>	<u>23,520</u>	<u>7,260</u>	<u>30,780</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (39,380)</u>	<u>\$ (47,820)</u>	<u>\$ (87,200)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-4

**Utility Capital Projects Fund
Water Treatment Plant Upgrades
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Design	488,000	-	25,800	25,800
Funding administration	40,000	-	5,000	5,000
Bidding & award	28,000	-	-	-
Construction services	397,000	-	-	-
Construction	5,357,900	-	-	-
Contingency	<u>479,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>6,790,000</u>	<u>-</u>	<u>30,800</u>	<u>30,800</u>
Revenues over (under) expenditures	<u>(6,790,000)</u>	<u>-</u>	<u>(30,800)</u>	<u>(30,800)</u>
Other Financing Sources (Uses):				
State appropriation	<u>6,790,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>6,790,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (30,800)</u>	<u>\$ (30,800)</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-5

**Utility Capital Projects Fund
Water Distribution System Assessment
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
Grant	\$ 150,000	\$ 12,800	\$ 15,159	\$ 27,959
Expenditures:				
Professional services	150,000	27,959	-	27,959
Grant fee	2,250	2,250	-	2,250
Total expenditures	152,250	30,209	-	30,209
Revenues over (under) expenditures	(2,250)	(17,409)	15,159	(2,250)
Other Financing Sources (Uses):				
Town contributions	2,250	2,250	-	2,250
Total other financing sources	2,250	2,250	-	2,250
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (15,159)</u>	<u>\$ 15,159</u>	<u>\$ -</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 5-6

**Utility Capital Projects Fund
Valdese Bluffs Sewer Line
Statement of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and for the Year Ended June 30, 2024**

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>
Revenues:				
State grant	<u>\$ 721,580</u>	<u>\$ -</u>	<u>\$ 96,635</u>	<u>\$ 96,635</u>
Total revenues	<u>721,580</u>	<u>-</u>	<u>96,635</u>	<u>96,635</u>
Expenditures:				
Planning	44,110	18,800	20,600	39,400
Design	56,455	34,800	21,655	56,455
Construction	<u>621,015</u>	<u>-</u>	<u>780</u>	<u>780</u>
Total expenditures	<u>721,580</u>	<u>53,600</u>	<u>43,035</u>	<u>96,635</u>
Unexpended revenues and receipts	<u>\$ -</u>	<u>\$ (53,600)</u>	<u>\$ 53,600</u>	<u>\$ -</u>

Other Schedules

- Schedule of Ad Valorem Taxes Receivable
 - Analysis of Current of Tax Levy
-

TOWN OF VALDESE, NORTH CAROLINA

Schedule 6

**Schedule of Ad Valorem Taxes Receivable
June 30, 2024**

<u>Fiscal Year</u>	<u>July 1, 2023</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>June 30, 2024</u>
2023 - 2024	\$ -	\$ 2,986,165	\$2,967,383	\$ 18,782
2022 - 2023	53,263	-	12,529	40,734
2021 - 2022	24,267	-	3,958	20,309
2020 - 2021	18,282	-	3,715	14,567
2019 - 2020	11,060	-	679	10,381
2018 - 2019	7,500	-	875	6,625
2017 - 2018	7,177	-	2,056	5,121
2016 - 2017	5,350	-	252	5,098
2015 - 2016	3,940	-	405	3,535
2014 - 2015	3,263	-	404	2,859
2013 - 2014	<u>16,759</u>	<u>-</u>	<u>16,759</u>	<u>-</u>
Total	<u>\$ 150,861</u>	<u>\$ 2,986,165</u>	<u>\$3,009,015</u>	128,011
Less allowance for uncollectibles				<u>(40,000)</u>
Balance				<u>\$ 88,011</u>
Reconciliation With Revenues:				
Ad valorem taxes - General Fund (Schedule 2)				\$ 2,950,047
Releases				8,256
Amount written off per statute of limitation				16,759
Collection fees and other adjustments				<u>40,111</u>
Subtotal				3,015,173
Less penalties and interest collected				<u>(6,158)</u>
Total collections and credits				<u>\$ 3,009,015</u>

TOWN OF VALDESE, NORTH CAROLINA

Schedule 7

**Schedule of Analysis of Current Year Tax Levy
June 30, 2024**

	Town - wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxes at current year's rate	\$ 547,572,294	0.545	\$ 2,984,269	\$ 2,751,302	\$ 232,967
Late lists	-		1,896	1,896	-
Total	\$ 547,572,294		2,986,165	2,753,198	232,967
 Net levy			2,986,165	2,753,198	232,967
Less uncollected taxes at June 30, 2023			18,782	18,782	-
Current year's taxes collected			\$ 2,967,383	\$ 2,734,416	\$ 232,967
Current levy collection percentage			99.37	99.00	100.00

**Compliance
Section**

Lowdermilk Church & Co., L.L.P.
Certified Public Accountants

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Fax: (828) 433-1230

**Independent Auditors' 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Valdese, North Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Valdese, North Carolina's basic financial statements, and have issued our report thereon dated December 4, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Lowdermilk Church & Co., L.L.P.

Morganton, North Carolina
December 4, 2024