

Annual Comprehensive Financial Report Year Ended June 30, 2022

Town of Kernersville, North Carolina



Dawn H. Morgan, Mayor

Bill Apple, Mayor Pro-Tem

John Barrow

J.R. Gorham

Joe L. Pinnix, Jr.

Chris Thompson

Curtis L. Swisher

Town Manager

Franz Ader

Finance Director

Cynthia Stevens

Accounting Operations Manager

“Prepared by the Finance Department”

This page left blank intentionally.

Table of Contents

Introductory Section

List of Principal Officials	i
Organizational Chart	ii
Letter of Transmittal	iii
GFOA Certificate of Achievement.....	vii

Financial Section

Report of Certified Public Accountants

Independent Auditor's Report	1
Management's Discussion and Analysis.....	5

Basic Financial Statements

Exhibit

Government-Wide Financial Statements:

1	Statement of Net Position	21
2	Statement of Activities	23

Fund Financial Statements:

3	Balance Sheet - Governmental Funds	24
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	26
4	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	27
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	29
6	Statement of Fund Net Position - Proprietary Funds.....	31
7	Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	32
8	Statement of Cash Flows - Proprietary Funds	33
9	Statement of Fiduciary Net Position - Fiduciary Fund.....	34
10	Statement of Changes in Fiduciary Net Position - Fiduciary Fund.....	35

Notes to Financial Statements.....	36
---	-----------

Required Supplementary Financial Data

Schedule

A-1	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Changes in Total Pension Liability.....	68
A-2	Law Enforcement Officers' Special Separation Allowance Required Supplementary Information - Schedule of Total Pension Liability as a Percentage of Covered Payroll.....	69
B-1	Schedule of Changes in the Total OPEB Liability and Related Ratios.....	70
C-1	Schedule of Proportionate Share of Net Pension Liability (Asset) Required Supplementary Information - Local Government Employees' Retirement System	71
C-2	Schedule of Contributions Required Supplementary Information - Local Government Employees' Retirement System	72

Supplementary Information

Combining and Individual Fund Statements and Schedules

Schedule

1	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund.....	74
2	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Reserve Fund.....	78
3	Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - American Rescue Plan Act.....	79
4	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Recreation Facility - Capital Projects Funds - Recreation Facility Capital Projects Ordinance Fund.....	80
Non-Major Governmental Funds:		
5	Combining Balance Sheet - Non-Major Governmental Funds.....	82
6	Combining Statement of Revenues, Expenditures and Changes in Fund Balances Non-Major Governmental Funds	84
7	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Occupancy Tax Fund.....	86
8	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Emergency Telephone System Fund	87
9	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Contributions Fund	88
10	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Law Enforcement Forfeitures Fund	89
11	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Fire Department Facility Capital Projects Ordinance Fund.....	90
12	Schedule of Revenues, Expenditures and Changes in Fund Balance - Project Authorization and Actual - Recreation Facility Capital Projects Ordinance Fund	91
13	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP) - Stormwater Enterprise Fund	92
14	Schedule of Revenues and Expenditures - Financial Plan and Actual - Workers' Comp Self-Insurance Fund.....	94
Other Schedules:		
15	Schedule of Ad Valorem Taxes Receivable	96
16	Analysis of Current Tax Levy.....	97

Statistical Section

Table

Financial Trends Information:		
1	Net Position by Component.....	102
2	Changes in Net Position	104
3	Fund Balances, Governmental Funds.....	108
4	Changes in Fund Balances, Governmental Funds.....	110
Revenue Capacity Information:		
5	Tax Revenues by Source, Governmental Funds	114
6	Direct and Overlapping Property Tax Rates.....	115
7	Principal Property Taxpayers	116
8	Property Tax Levies and Collections	117
9	Assessed Value and Estimated Actual Value of Taxable Property.....	118

Table

Debt Capacity Information:

10 Ratios of Outstanding Debt by Type 123

11 Ratios of General Bonded Debt Outstanding 124

12 Direct and Overlapping Governmental Activities Debt 125

13 Legal Debt Margin Information 126

Demographic and Economic Information:

14 Demographic and Economic Statistics 131

15 Principal Employers for Forsyth County 132

16 Full-Time Equivalent Town Government Employees by Function/Program 133

Operating Information:

17 Operating Indicators by Function/Program 137

18 Capital Asset Statistics by Function/Program 138

Compliance Section

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* 143

Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act 145

Schedule

17 Schedule of Findings and Questioned Costs 148

18 Summary Schedule of Prior Year Audit Findings 149

19 Schedule of Expenditures of Federal and State Awards 150

Notes to Schedule of Expenditures of Federal and State Awards 152

This page left blank intentionally.

Introductory Section

This page left blank intentionally.

Town of Kernersville, North Carolina

List of Principal Officials

Board of Aldermen

Dawn H. Morgan, Mayor
Bill Apple, Mayor Pro-Tem
John Barrow
J.R. Gorham
Joe L. Pinnix Jr.
Chris Thompson

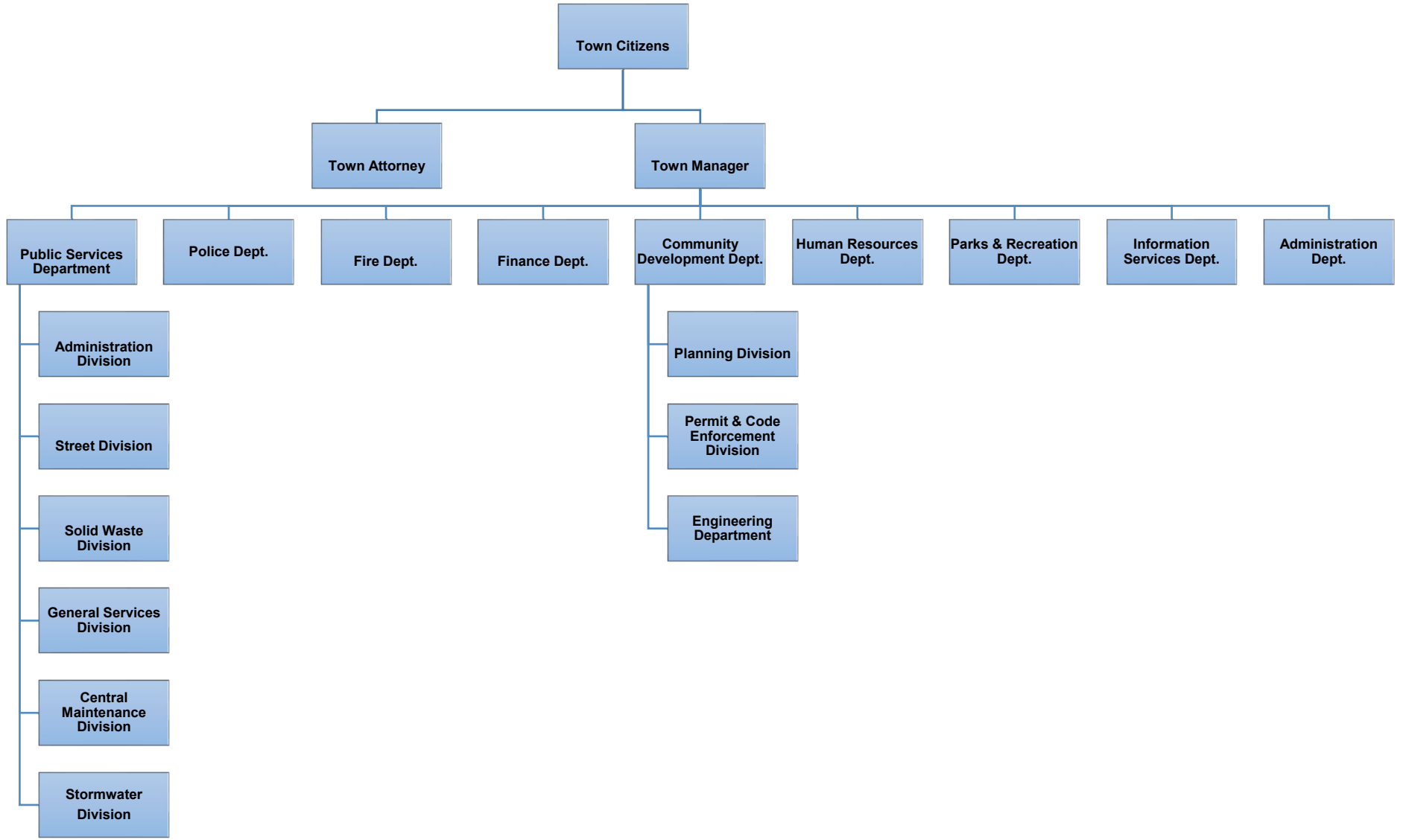
Town Manager

Curtis L. Swisher

Finance Director

Franz Ader

Organizational Chart



P.O. Box 728
Kernersville, NC 27285-0728

134 East Mountain Street
Telephone (336) 996-3121
Fax (336) 996-4822

Letter of Transmittal

Honorable Mayor
Members of the Board of Aldermen
Town of Kernersville, North Carolina

Town Profile

The Town of Kernersville, incorporated in 1871 and uniquely centered between the cities of Greensboro, High Point and Winston-Salem, continues to grow and prosper. According to North Carolina state demographics, Kernersville has a Certified Population Estimate of 26,597 as of July 1, 2021 and occupies a land area of 18.585 square miles.

The Town is empowered by the state of North Carolina to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body. The Town of Kernersville has operated under the council-manager form of government since 1965. Policy-making and legislative authority are vested in a Board of Aldermen (Board) consisting of the mayor and five other members. The Board is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring both the Town's manager and attorney. The Town Manager is responsible for carrying out the policies and ordinances of the Board, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Board is elected on a non-partisan basis and members, including the Mayor, serve two-year terms. The Town of Kernersville provides a range of services including: police and fire protection, street maintenance/construction, fire and building inspections, community development, garbage collection and recreational activities.

Local Economy and Long-Term Financial Planning

The local economy continues to experience growth during this fiscal year, which has allowed Kernersville to increase its tax base. Planning for the needs of the community and enhancing the quality of life in Kernersville are two of the Town's top goals. Kernersville continues to develop and benefit from the considerable efforts of the Town's departments and long-range planning. Job growth continues to take place which is stimulating residential growth back to of level of pre-recession growth.

Development Activity

The overall valuation of new construction for fiscal year-end (FYE22) is \$108,126,377 which is a \$29,450,059 or 21.4% decrease from FYE21. The Town permitted 490,043 square feet of new commercial space, including new commercial development in Welden Park, a hotel, a State Employees Credit Union, grocery store and other commercial additions. Projects of note are large apartments complexes at Welden Park and The Knolls. The Town also permitted 177 single-family residential permits.

Commercial, Institutional and Industrial

- The Town issued permits for 33 new buildings, of which 20 were valued over \$100,000.
- New commercial projects in this category include the new Food Lion (\$7,000,000), Welden Park amenity buildings (\$530,000), two apartment buildings at Welden Park (\$5,200,000) and six apartment buildings at the Knolls at Mill Creek (\$2,400,000).
- Permits were issued for 2 separate self-storage projects. Heartland Self Storage is valued at \$305,000 and Self-Storage Place on Gralin Street is valued at \$275,000.
- The Town issued 73 permits for commercial upfits, of which 24 were valued over \$100,000. Projects include Gastroenterology Associates of the Triad Endoscopy Surgery Center (\$1,200,000), Novant Observation Room (\$146,864), My Eyclab (\$195,000), First Baptist Church renovations (\$130,000), FFF office/pharmacy (\$225,000), Bethany Medical renovations (\$935,000), Five Guys (\$425,000), and Urgent Care (\$1,345,800).

Infrastructure

Some of the most significant infrastructure projects that are currently under construction or have been completed during the fiscal year 2021-2022 include the following:

- The Kerners Mill Creek Greenway Park is a greenway extending from Oakhurst Drive to Hopkins Road along the Kerners Mill Creek bid was awarded and construction has begun.
- NCDOT is completing construction of the Macy Grove Road extension from Business-40 to Piney Grove Road. Construction on the first phase from East Mountain Street to North Main Street has been completed. The second phase from North Main Street to Piney Grove Road is projected to start in 2023. This extension provides a by-pass around the northern portion of Town and further economic development on the north side of Town.
- NCDOT is currently finalizing the design of the Business-40 Big Mill Farm Road interchange and road widening of Hopkin Road from Big Mill Farm to NC 66. This interchange and road widening provides traffic relief to the South Main Street regional commercial center.

Projects like this have a positive impact on the Town's economy which will further provide increased revenues to fund the necessary services needed to keep the Town vibrant and flourishing. New businesses will continue to locate in Kernersville due to its strategic central location in the Piedmont Triad Metropolitan Region, quality of life, and financial stability. The Town will continue to enjoy growth in the residential and business arena with such major business facilities as FedEx Ground's 125-acre regional hub; Amazon's new 1,000,000+ square foot fulfillment center; Deere Hitachi's 1,000,000+ square foot manufacturing complex and corporate headquarters; Veterans Administration's regional health clinic; and Novant's regional medical center. Many of these anchor industries are expanding or planning upcoming expansions. Their location in Kernersville is attracting additional industrial and logistics corporations to the Town.

Community Participation

Partnering with Town officials, local citizen groups are adding to the success of Kernersville. While the Town has many organizations that are standard to most communities, it has several unique associations that many cities and towns do not have. These organizations add value to the community in a way that further increases the Town's appeal to prospective businesses and residents. In addition to numerous civic, craft, recreational and newcomer organizations, the Town has: Kernersville Cares for Kids, Kernersville Little Theatre, Shepherd's Center of Kernersville (for seniors), Kernersville Community Appearance, Körner's Folly Foundation (historic in nature), Paul J. Ciener Botanical Garden, Chamber of Commerce and the Kernersville Council. These organizations add "flavor" and support to Kernersville benefiting both the citizens and the local economy. All of these efforts, and others, enable me to provide an annual financial report that reflects a stable local economy and a financially sound government for the fiscal year ended June 30, 2022.

The Report

The Annual Comprehensive Financial Report (ACFR) for Fiscal Year Ended June 30, 2022 reflects the fiscal policies our elected officials have established to achieve their annual priorities for program services and capital improvements. The Town's continued economic growth coupled with realistic long-term planning, management of resources and conservative use of debt are all a part of a proven formula to ensure positive operating results.

This ACFR consists of management's representations concerning the finances of the Town of Kernersville for the fiscal year ended June 30, 2022. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented herein. Management of the Town of Kernersville has established a comprehensive internal control framework that is designed to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

North Carolina general statutes require each unit of local government to publish, within four months after the close of the fiscal year, a complete set of financial statements presented in conformity with GAAP and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to this requirement, the Town engaged Dixon Hughes Goodman LLP, independent auditors, to perform an audit of the Town's reported financial position and results of operations contained in the government-wide, fund financial statements and notes to the financial statements. Working with the Town's financial staff, they made appropriate tests of data included in the financial statements and evaluated the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the financial statements of the Town of Kernersville for the fiscal year ended June 30, 2022 are fairly presented in conformity with generally accepted accounting principles. The report of independent auditors is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Kernersville is part of a broader, state mandated "Single Audit" designed to meet the special needs of state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Town's internal controls and compliance with legal requirements, with emphasis on administration of state grants.

The system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with state statutes, GAAP, authorization of the Board, and that financial records are a reliable basis for preparation of annual financial statements. The system includes selection and training of qualified personnel, an organizational structure that provides appropriate delegation of authority and separation of responsibilities, an understanding of financial policies and procedures, and an internal audit program.

Assuring legal compliance with state statutes requires an accounting system that contains a variety of distinctly different fiscal and accounting entities. The annual budget serves as the foundation for the Town's financial planning and control. The Board is required to legally enact a final budget, by way of a Budget Ordinance or Project Ordinance, before the close of the fiscal year. The Budget Ordinance and Project Ordinances are prepared by fund and department, and are formally amended by the Board, when required. The Town Manager is authorized to transfer budget amounts between line items within a department, but changes between departments and/or funds require approval of the Board.

Conservative budgeting is management's key strategy to maintaining financial stability and it is an integral part of the Town's financial policy. The healthy fund balance of the Town's chief fund, the General Fund, attests to that

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada has awarded the highest form of recognition of governmental accounting and financial reporting, the Certificate of Achievement for Excellence in Financial Reporting, to the Town of Kernersville for each Annual Financial Report (Comprehensive) since 1997. We believe that this 2022 ACFR conforms to the highest reporting standards as well.

Deserving special commendation for the success of the Town's operations are skilled, talented and dedicated employees - the work force of the Town of Kernersville. Acknowledgement and appreciation are expressed for their contributions to another successful year. I also express my appreciation to the Mayor, Board of Aldermen and Town Manager for leadership, guidance, and establishment of policies for managing financial operations in a sound and progressive manner.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Kernersville's MD&A can be found immediately following the report of the independent auditors

Respectfully submitted,



Franz Ader, MPA
Finance Director
December 2, 2022



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Kernersville
North Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

This page left blank intentionally.

Financial Section

This page left blank intentionally.

Independent Auditor's Report

Honorable Mayor and Members
of the Town Board of Aldermen
Town of Kernersville
Kernersville, NC

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022 the Town adopted new accounting guidance, Government Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Audit of the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 17, the Law Enforcement Officers' Special Separation Allowance Schedules of Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll, on pages 68 and 69, respectively, the Schedule of Changes in the Total OPEB Liability and Related Ratios, on page 70, and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 71 and 72, respectively, be presented to supplement the basic financial statements. Such information, although not 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 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 an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Kernersville, North Carolina. The combining and individual non-major fund statements and schedules, budgetary schedules, and other supplementary information, as well as the accompanying schedule of expenditures of federal and state awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules, other schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory information and the statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

FORVIS

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2022 on our consideration of the Town of Kernersville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Kernersville's internal control over financial reporting completion.

FORVIS,LLP

**High Point, NC
December 2, 2022**

Management's Discussion and Analysis

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

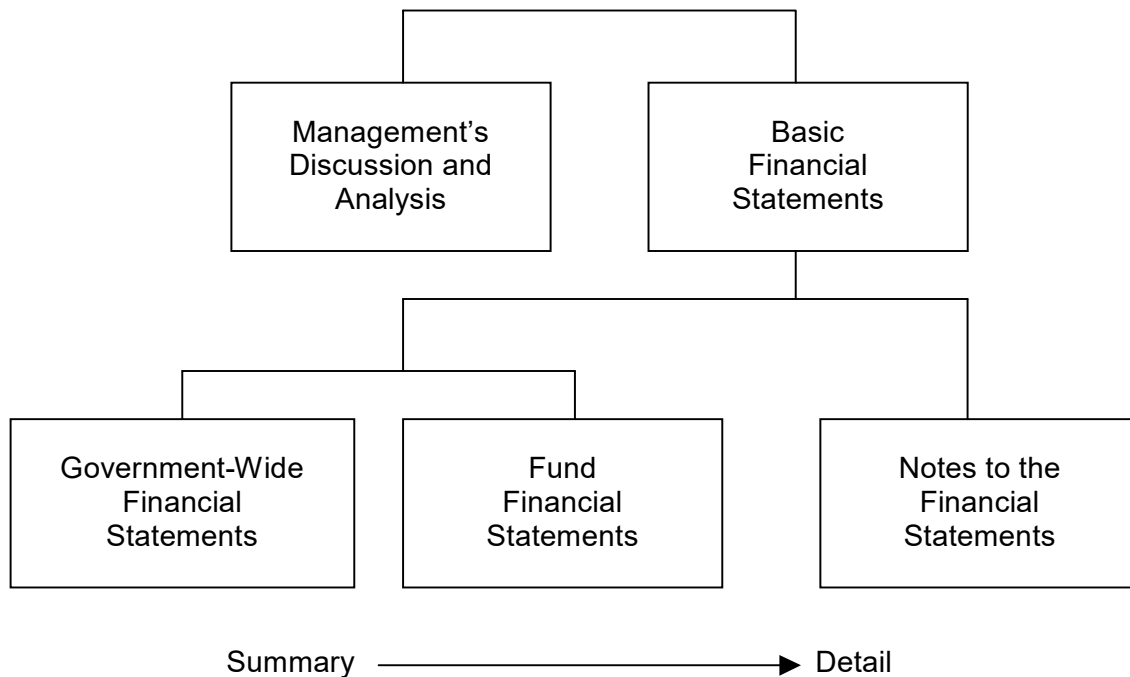
Financial Highlights

- The assets and deferred outflows of resources of the Town of Kernersville exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$148,943,952.
- The government's total net position increased by \$14,811,509 in the current fiscal year, primarily the result of increased Sales and Use Tax proceeds and unspent Installment Purchase Proceeds.
- As of the close of the current fiscal year, the Town of Kernersville's governmental funds reported combined ending fund balances of \$30,400,745. Approximately 50.5% of this total amount, or \$15,359,347 is available for spending at the government's discretion (unassigned).
- Approximately 27.4% of the total combined governmental fund balance or \$8,322,149 is committed to capital projects and about 22.1% or \$6,719,249 is non-spendable or restricted either by state statute or funding source.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$15,359,347 represented 46.5% of total General Fund expenditures for the fiscal year.
- The Town of Kernersville's total debt of both governmental and business-type activities had a net decrease of \$3,381,693 during the fiscal year ended June 30, 2022. The net decrease was primarily the result of the decrease in both state revolving sewer loan and street construction refunding bond payments, as well as a decrease in installment purchase loan payments.
- The Town of Kernersville bond rating from the Standard and Poor's Corporation is AA+ on its street construction refunding bonds. Moody's Investor Service rated this issue at Aa2. The street construction refunding bonds represent the only general obligation debt of the Town. At June 30, 2022, the outstanding principal of the street construction refunding bonds was \$825,000.
- For fiscal year 2021-2022, the Town's property tax rate was \$0.559 and supported 54.8% of governmental services to citizens and the community based on government-wide statements.
- During the fiscal year, the Town implemented GASB Statement No. 87, Leases. The implementation of this standard did not result in the creation of any new funds.

Overview of the financial statements

This Discussion and Analysis is intended to serve as an introduction to the Town of Kernersville'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 Kernersville.

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 the 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 (3) the proprietary fund statements; and (4) the fiduciary 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 General Statutes can also 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

Town of Kernersville, North Carolina Management's Discussion and Analysis

The government-wide statements present all of the Town's governmental activities. The governmental activities include the Town's basic services such as public safety, public service, parks and recreation, and general administration. Property taxes, other taxes, intergovernmental revenues, and state and federal grant funds finance most of these activities.

The required supplemental financial data are on Schedules A through C of this report.

Fund financial statements

The fund financial statements (see Exhibit 3 through 8) 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 Kernersville, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Kernersville can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 governmental activities (reported in 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 Kernersville 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's Internal Service Fund is classified as a type of proprietary fund. The Town uses an internal service fund to account for its Self-Insurance operations. Because this operation benefits governmental activities, the internal service fund has been included within the Governmental Activities in the government-wide financial statements. The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs.

Fiduciary funds - Fiduciary funds are used to account for resources held by the government in a trustee capacity for others. Because the resources of fiduciary funds cannot be used to support the government's own programs, such funds are specifically excluded from the government-wide statements. The Town uses a fiduciary fund to account for the payments to be made on behalf of the City/County Utility Commission ("CCUC") Class Action Lawsuit Settlement.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 37 to 66 of this report.

**Town of Kernersville, North Carolina
Management's Discussion and Analysis**

Other information - In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Kernersville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 68 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.

**Town of Kernersville
Government-Wide Financial Analysis
Net Position
Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 33,691,208	\$ 22,880,887	\$ 1,276,569	\$ 968,635	\$ 34,967,777	\$ 23,849,522
Capital and lease assets, net	<u>159,834,596</u>	<u>154,506,545</u>	<u>1,096,395</u>	<u>1,213,671</u>	<u>160,930,991</u>	<u>155,720,216</u>
Total assets	<u>193,525,804</u>	<u>177,387,432</u>	<u>2,372,964</u>	<u>2,182,306</u>	<u>195,898,768</u>	<u>179,569,738</u>
Deferred outflows of resources	<u>5,274,539</u>	<u>6,044,982</u>	<u>601,346</u>	<u>143,453</u>	<u>5,875,885</u>	<u>6,188,435</u>
Total assets and deferred outflows of resources	<u>198,800,343</u>	<u>183,432,414</u>	<u>2,974,310</u>	<u>2,325,759</u>	<u>201,774,653</u>	<u>185,758,173</u>
Current liabilities	8,676,254	8,118,225	213,814	188,434	8,890,068	8,306,659
Long-term liabilities	<u>34,703,577</u>	<u>40,203,691</u>	<u>656,707</u>	<u>518,042</u>	<u>35,360,284</u>	<u>40,721,733</u>
Total liabilities	<u>43,379,831</u>	<u>48,321,916</u>	<u>870,521</u>	<u>706,476</u>	<u>44,250,352</u>	<u>49,028,392</u>
Deferred inflows of resources	<u>8,260,365</u>	<u>2,537,102</u>	<u>319,984</u>	<u>60,236</u>	<u>8,580,349</u>	<u>2,597,338</u>
Total liabilities and deferred inflows of resources	<u>51,640,196</u>	<u>50,859,018</u>	<u>1,190,505</u>	<u>766,712</u>	<u>52,830,701</u>	<u>51,625,730</u>
Net position:						
Net investment in capital assets	141,685,568	135,303,304	905,066	1,112,649	142,590,634	136,415,953
Restricted for:						
Stabilization by state statute	3,772,500	5,244,983	-	-	3,772,500	5,244,983
Tourism	138,262	23,986	-	-	138,262	23,986
Public safety	573,895	465,110	-	-	573,895	465,110
Unrestricted	<u>989,922</u>	<u>(8,463,987)</u>	<u>878,739</u>	<u>446,398</u>	<u>1,868,661</u>	<u>(8,017,589)</u>
Total net position	<u>\$ 147,160,147</u>	<u>\$ 132,573,396</u>	<u>\$ 1,783,805</u>	<u>\$ 1,559,047</u>	<u>\$ 148,943,952</u>	<u>\$ 134,132,443</u>

Over time, net position may serve as one useful indicator of a government's financial condition. The total governmental assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$148,943,952 at June 30, 2022. The largest portion of net position (95.7%) reflects the Town's net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the Town'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

**Town of Kernersville, North Carolina
Management's Discussion and Analysis**

since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$4,484,657, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$989,657 is unrestricted.

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

- Current year property tax collections were \$21,188,484, representing an increase of \$2,425,791 primarily due to new construction being added. This year's property tax collection rate was 96.14%.
- Sales and use tax collections increased \$1,323,651 over last year's collections to a total of \$6,620,460. This increase of 19.99% over last year's collections represents an above average economic growth in Kernersville.
- Penalties and interest earnings in the governmental funds increased \$64,863 to a total of \$103,141. This decrease of 169.4% is attributed to a decrease in both the collection of tax penalties and loan escrow account interest.

**Town of Kernersville
Changes In Net Position
Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,781,964	\$ 3,126,005	\$ 1,206,797	\$ 1,174,893	\$ 3,988,761	\$ 4,300,898
Operating grants and contributions	4,117,241	2,560,738	-	-	4,117,241	2,560,738
Capital grants and contributions	588,071	2,078,222	-	-	588,071	2,078,222
General revenues:						
Property taxes	21,188,484	18,762,693	-	-	21,188,484	18,762,693
Other taxes	320,083	250,804	-	-	320,083	250,804
Unrestricted inter-governmental revenues	14,756,781	9,420,485	-	-	14,756,781	9,420,485
Investment earnings, Unrestricted	104,528	38,584	2,135	191	106,663	38,775
Gain (loss) on sale of capital assets	106,337	108,625	-	-	106,337	108,625
Miscellaneous	7,608,122	2,114,874	-	-	7,608,122	2,114,874
Total revenues	51,571,611	38,461,030	1,208,932	1,175,084	52,780,543	39,636,114
Expenses:						
General government	6,530,255	6,445,203	-	-	6,530,255	6,445,203
Public safety	17,127,838	18,387,376	-	-	17,127,838	18,387,376
Public service	9,115,678	8,986,468	-	-	9,115,678	8,986,468
Culture and recreation	3,121,925	2,476,422	-	-	3,121,925	2,476,422
Stormwater	-	-	1,197,898	1,519,176	1,197,898	1,519,176
Unallocated interest expense	875,440	484,285	-	-	875,440	484,285
Total expenses	36,771,136	36,779,754	1,197,898	1,519,176	37,969,034	38,298,930
Increase (decrease) in net position before transfers	14,800,475	1,681,276	11,034	(344,092)	14,811,509	1,337,184
Transfers	(213,724)	(232,305)	213,724	232,496	-	-
Increase (decrease) in net position	14,586,751	1,448,971	224,758	(111,787)	14,811,509	1,337,184
Net position, beginning	132,573,396	131,124,425	1,559,047	1,670,834	134,132,443	132,795,259
Net position, ending	\$ 147,160,147	\$ 132,573,396	\$ 1,738,805	\$ 1,559,047	\$ 148,943,952	\$ 134,132,443

Town of Kernersville, North Carolina Management's Discussion and Analysis

Governmental activities. The Town's net position from governmental activities increased by \$14,586,751 during the year. This net increase is primarily the result of general revenues exceeding expenses for the fiscal year ending June 30, 2022.

Business-type activities. The Town's net position from business-type activities increased by \$224,758 during the year. This net increase is primarily the result of capital grant contributions.

Financial analysis of the Town's funds

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

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

The General Fund is the chief operating fund of the Town of Kernersville. At the end of the current fiscal year, the total fund balance was \$22,747,043 of which \$5,988,808 was restricted or non-spendable and \$16,758,235 was either committed, assigned or unassigned. \$3,754,716 was restricted by state statute. Committed fund balance amounted to \$1,398,888 and is set aside for capital projects. \$15,359,347 was unassigned.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned General Fund - fund balance of \$15,359,347 represents 46.5% of total General Fund expenditures, while the total General Fund - fund balance of \$22,747,043 represents 68.9% of that same amount.

The American Rescue Plan Act Special Revenue Fund, a new fund created in fiscal year 2022, had a fund balance at the end of the fiscal year of \$500.

The Recreation Department Capital Projects Ordinance fund balance at the end of the fiscal year was \$5,052,690 with the entire amount committed for capital projects. The fund exhibited an increase of \$3,659,343 or 362% increase. This was due to transfers from other funds for capital projects.

The Town had six Non-Major Special Revenue or Capital Project Funds: Occupancy Tax Fund, Emergency Telephone System Fund, Contributions Fund, Law Enforcement Forfeitures Fund, Fire Department Facility Capital Projects Ordinance Fund, and the Kerner Mill Greenway Capital Projects Ordinance Fund. These funds had a total fund balance of \$2,600,512 at the fiscal year end. Of this amount, \$17,784 was restricted by state statute or other uses, while \$1,870,571 was committed for capital projects.

Key changes in several non-major special revenue funds are summarized in the following narrative. The Occupancy Tax Fund had an increase in fund balance of 261.3% or \$112,862 due to the occupancy tax being 118.8% more than budgeted. The Emergency Telephone System Fund saw an increase in fund balance of 10.5% or \$13,037, due primarily to public safety expenditures being 15.9% or \$12,880 less than budgeted. The Contributions Fund had an increase in fund balance of \$80 or 0.10%, primarily due to a \$13,946 or 53.6% decrease in expenditures. The Law Enforcement Forfeiture Fund had an increase in fund balance of \$95,668 or 36.5%, due primarily to Police Department expenditures being \$(104,441) or (29.7%) less than budgeted.

Of the Non-Major Capital Project Funds, the Fire Department Facility Capital Projects Ordinance Fund had a decrease in fund balance of (100%) or \$(44,661), due to the closing of the fund post construction completion. Recreation Department Capital Projects Ordinance Fund had an ending fund balance of \$5,052,690 due primarily to transfers from the General Fund.

Town of Kernersville, North Carolina Management's Discussion and Analysis

At June 30, 2022, the total of the General Fund and all other governmental funds of the Town reported a combined fund balance of \$30,400,745 with an increase of 50.4% or \$10,191,010 over the previous year. The increase is primarily due to a 69.56% or \$3,414,156 increase in the committed fund balance across all of the governmental funds.

General Fund budgetary highlights: 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.

There were nine (9) budget amendments during the fiscal year that resulted in a total net increase of \$9,557,338 in budgeted General Fund expenditures. The net increase includes a combination of both carry-over purchases and projects, and construction improvements. Notable budgetary increases include the following: to budget the purchase of property on Shields Road (\$1,200,000), funding sanitary sewer extension on Brookford Road (\$1,210,000), a transfer to the Recreation Capital Project Fund (\$3,410,823), expenses related to revitalization of Civitan Park (\$696,000), supplemental funding for local non-profits (\$449,800), and extending the sewer line on Kerner Mill Parkway (\$370,000).

The Numerous budget-to-actual variances in both revenue and expenditure categories warrant further discussion. The most notable budgeted revenue variances occurred in the following four categories: Unrestricted Intergovernmental Revenues, Restricted Intergovernmental Revenues, General Revenues, and Functionally Related Revenues. The Unrestricted Intergovernmental Revenue category had a budgetary variance in the total amount of \$292,746 or 2.8% primarily due to an increase in collections of local option sales and use tax for \$323,212 or 4.2%. The overall positive variance in the Unrestricted Intergovernmental Revenue category is primarily due to robust commercial and industrial economy. The largest revenue budgetary variance occurred in the Restricted Intergovernmental Revenues with a total variance of \$(2,175,994) or (61.2%) primarily due to a decrease in the City-County Utilities Commission (CCUC) water and sewer project reimbursements in the amount of \$(2,162,215) or (80.7%) as a result of projects that did not occur or were not completed by fiscal year end. The second largest revenue budgetary variance occurred in the General Revenue category which consists solely of Ad Valorem Taxes for real property (buildings, houses, etc.), individual/business personal property (equipment) and vehicles. This revenue source had a budget variance of \$809,775 or 4.0% as a result of an increase in property values related to a revaluation of property by Forsyth County. The Functionally Related Revenue category exhibited a budgetary variance of \$56,736 or 2.1% primarily due to a decrease in Zoning Fee Revenue of \$49,882 or 64.6%.

The total net budget variance in the Town's general fund revenue excluding transfers in or out was \$(1,011,554) or (2.5%).

The budget to actual variances were positive in all expenditure categories: General Government, General Services, Public Safety, Public Service, Culture and Recreational, and Debt Service. Notable budget variances within the categories warrant explanation. Within the General Government category, all departments except Governing Body experienced positive budget to actual variances with the category having a budget variance totaling \$(347,449) or (5.5%). The greatest variances occurred within the Governing Body and the General Services Departments. The Governing Body had a negative variance of \$(710,054) or (48.6%), primarily due to the adoption of the new GASB 87 Lease Reporting requirements. The General Services Department had a budget variance of \$111,594 or 6.7% primarily due to personnel and operating/maintenance expenses being lower than predicted.

The Public Safety category had a positive budget variance of \$1,994,481 or 28.2%. All departments within the category experienced positive budget to actual variances with the Inspection and Fire Departments having the largest. The Inspections Department had the largest positive budget variance of \$279,964 or 33.2% primarily because operating and capital outlay expenses were lower than predicted. The Fire Department had a positive budget variance of \$1,565,968 or 18.0% primarily because personnel-related and capital outlay expenses were lower than predicted.

Town of Kernersville, North Carolina Management's Discussion and Analysis

The Public Service category had a positive budget variance totaling \$2,910,996 or 28.2%. Three departments with notable budget variances within the category were the Sanitation, Streets, and Engineering Departments. The Engineering Department had the largest budget variance of \$1,127,033 or 24.4% primarily because operation and capital outlay expenses were lower than predicted. The Sanitation Department had a budget variance of \$845,335 or 27.8% primarily due to personnel and operating/maintenance being lower than predicted. The Street Department had a budget variance of \$803,231 or 25.6% primarily because a sewer study was not conducted nor was a water/sewer construction project completed by fiscal year end.

Within the Cultural and Recreational category, the Recreation Department experienced the greatest positive budget to actual variance totaling \$3,682,131 or 61.6% primarily due to the Civitan Park Project not being completed and operating/maintenance expenses being lower than predicted.

The total expenditure variance for all categories and departments within the General Fund including debt service (excluding transfers in or out) was \$7,855,125 or 19.21%. Including transfers and other financing sources, a total of \$0 in fund balance was appropriated compared to the budgeted amount of \$4,262,821 to balance General Fund revenues with General Fund expenditures.

Proprietary funds. The Town of Kernersville's proprietary funds provide the same type of information found in the government-wide statements. The Town has two proprietary funds: the Stormwater Utility Fund and the Worker's Compensation Fund.

The Stormwater Enterprise Fund receives revenues from user fees for stormwater program expenses and capital improvements/repairs. The Stormwater Enterprise Fund total net position increased by \$224,758 or (14.41%) during the year to \$1,783,805. This net increase is primarily the result of grant revenue that was received in the current year to offset stream restoration project expenses from the prior year.

The Workers Compensation Self-Insurance Fund - the Town's only internal service fund - provides insurance for workers compensation claims for Town employees. The assets of this fund will fluctuate yearly depending upon the number and dollar amount of claims made against it. Total net position of the Self-Insurance Fund at the end of the fiscal year increased an amount of 100.01% or \$412,823 to a total of \$410,517.

Fiduciary fund. The Town of Kernersville's fiduciary fund provides the Statement of Net Position and the Statement of Changes in Net Position. The Town has one fiduciary fund: the Kernersville Sewer Settlement Residual Fund.

The Kernersville Sewer Settlement Residual Fund receives revenues from investment income. The Settlement Fiduciary Fund total net position increased by \$293 during the year to \$1,856.

Capital asset and debt administration

Capital assets. The Town of Kernersville's capital assets for its governmental activities as of June 30, 2022 total \$159,480,015 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, park facilities and vehicles. The Town of Kernersville's capital assets in the business-type activities or the Stormwater Fund totaled \$1,096,395.

For the fiscal year ended June 30, 2022, major capital asset transactions for governmental activities include the following:

- Land, rights-of-ways and construction in progress increased in the amount of \$3,522,177
- Buildings and improvements decreased in the amount of \$198,813.
- Land improvements decreased in the amount of \$177,276.
- Infrastructure saw an increase in the amount of \$1,834,963.

**Town of Kernersville, North Carolina
Management's Discussion and Analysis**

- Equipment and heavy equipment decreased in the amount of \$203,834.
- Vehicles for various departments increased in the amount of \$196,254.

For the fiscal year ended June 30, 2022, major capital asset transactions for the business-type activities (Stormwater Fund) include the following:

- Buildings and improvements decreased in the amount of \$1,010.
- Land improvements decreased in the amount of \$9,171.
- Infrastructure saw a decrease in the amount of \$3,429.
- Equipment and heavy equipment decreased in the amount of \$157,209.
- Vehicles decreased in the amount of \$53,545.

Additional information on the Town's capital assets can be found in Note 2.A.5 in the Notes to the Financial Statements.

**Town of Kernersville
Capital Assets (Net of Depreciation)
Figure 4**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated:						
Land	\$ 86,972,471	\$ 83,533,938	\$ -	\$ -	\$ 86,972,471	\$ 83,533,938
Construction in progress	<u>96,421</u>	<u>12,777</u>	<u>-</u>	<u>-</u>	<u>96,421</u>	<u>12,777</u>
Total capital assets not being depreciated	<u>87,068,892</u>	<u>83,546,715</u>	<u>-</u>	<u>-</u>	<u>87,068,892</u>	<u>83,546,715</u>
Capital assets being depreciated:						
Buildings and improvements	16,256,348	16,455,161	44,230	45,240	16,300,578	16,500,401
Land improvements	1,956,112	2,133,388	81,783	90,954	2,037,895	2,224,342
Infrastructure	49,340,449	47,505,486	85,455	88,884	49,425,904	47,594,370
Equipment and heavy equipment	3,221,132	3,424,966	787,952	945,161	4,009,084	4,370,127
Vehicles	<u>1,637,082</u>	<u>1,440,829</u>	<u>96,976</u>	<u>43,432</u>	<u>1,734,058</u>	<u>1,484,261</u>
Total capital assets being depreciated	<u>72,411,123</u>	<u>70,959,830</u>	<u>1,096,395</u>	<u>1,213,671</u>	<u>73,507,518</u>	<u>72,173,501</u>
Total capital assets	<u>\$ 159,480,015</u>	<u>\$ 154,506,545</u>	<u>\$ 1,096,395</u>	<u>\$ 1,213,671</u>	<u>\$ 160,576,410</u>	<u>\$ 155,720,216</u>

Long-term debt. As of June 30, 2022, the Town of Kernersville had total bonded debt outstanding of \$825,000 for street construction. This debt was issued in fiscal year 2003-04 and refunded in the prior year. The last payment on the refunding debt is scheduled to occur in May 2024. This is a general obligation debt and, thus, is backed by the full faith and credit of the Town.

**Town of Kernersville
Outstanding Debt
Figure 5**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Refunding bond	\$ 825,000	\$ 1,230,000	\$ -	\$ -	\$ 825,000	\$ 1,230,000
Revolving loan payable	1,200,000	1,600,000	-	-	1,200,000	1,600,000
Direct borrowing installment purchases	<u>19,189,771</u>	<u>17,975,821</u>	<u>191,329</u>	<u>216,755</u>	<u>19,381,100</u>	<u>18,192,576</u>
Total	<u>\$ 21,214,771</u>	<u>\$ 20,805,821</u>	<u>\$ 191,329</u>	<u>\$ 216,755</u>	<u>\$ 21,406,100</u>	<u>\$ 21,022,576</u>

The Town of Kernersville’s total debt of both governmental and business-type activities had a net increase of \$383,524 or 1.8% for the fiscal year ended June 30, 2022. The net increase was primarily the result of new installment purchase loans being issued than past debt being retired. Total debt currently stands at \$21,406,100.

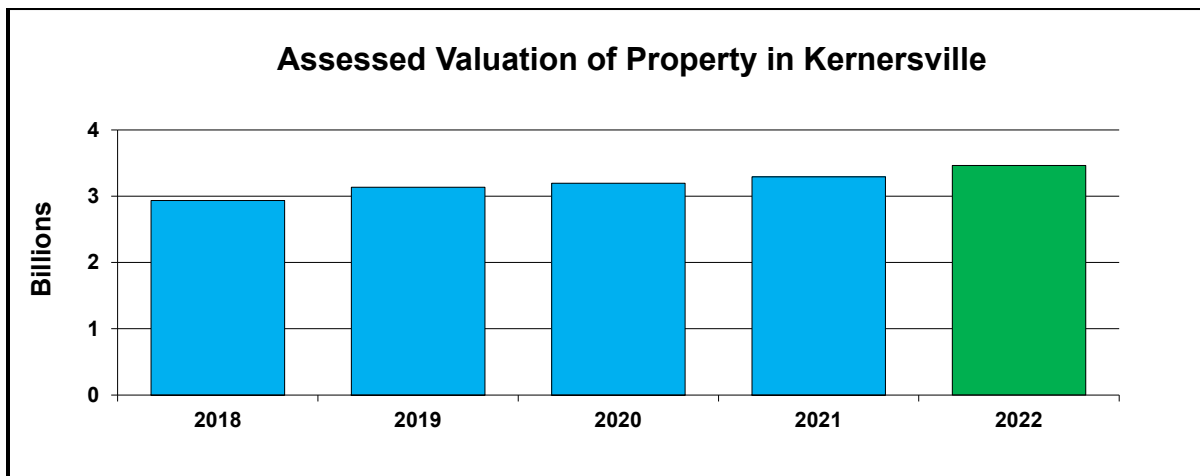
Refunding bonds issued in fiscal year 2015-16 represent the only general obligation debt of the Town. As mentioned in the financial highlights section of this document, the Standard and Poor’s Corporation rated the street construction debt AA+. The Moody’s Investor Service rated the debt at Aa2. These ratings are a clear indication of the Town’s financial condition and its consistency for managing its finances well.

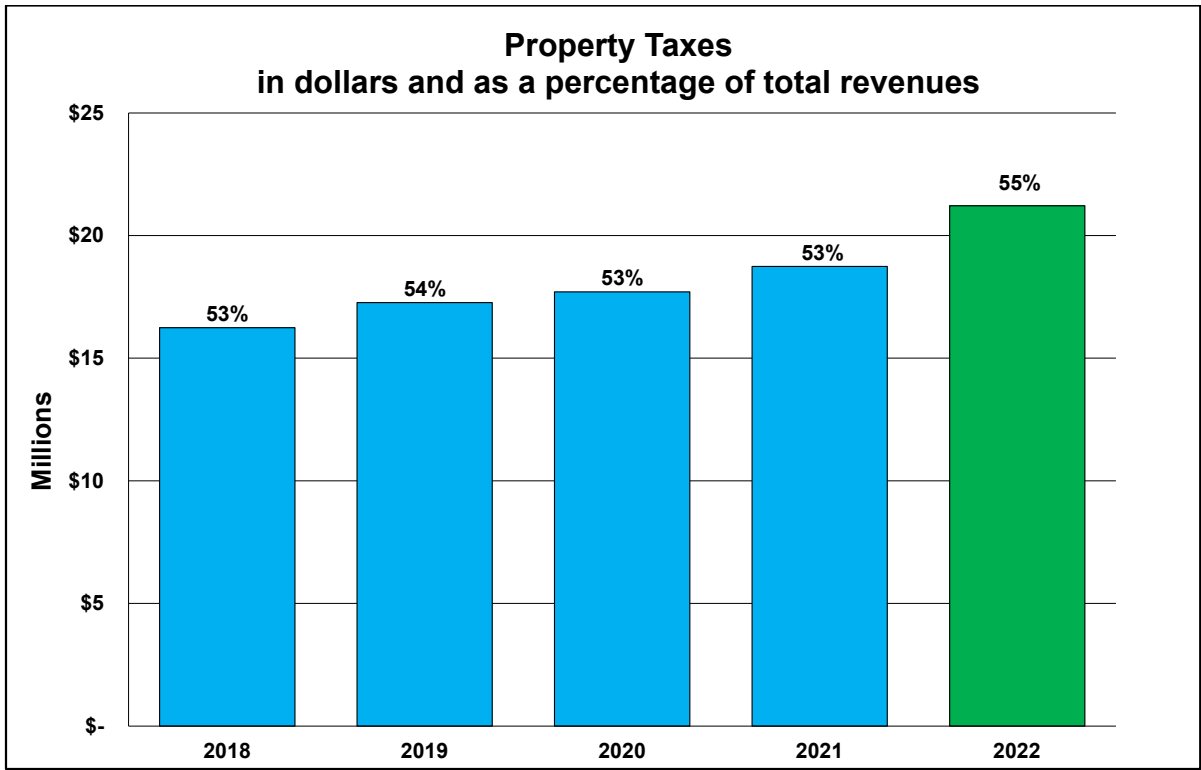
North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government’s boundaries or \$3,464,538,744. The total debt outstanding at the close of this fiscal year was \$21,406,100 for governmental and business-type activities, resulting in a legal debt margin for the Town of Kernersville of \$255,757,000. Hence, the total debt for the Town of Kernersville is 7.7% of the total legal debt limit. The Town has no authorized but unissued debt at June 30, 2022.

Additional information regarding the Town’s long-term debt can be found on Section 2.B.7 of the notes.

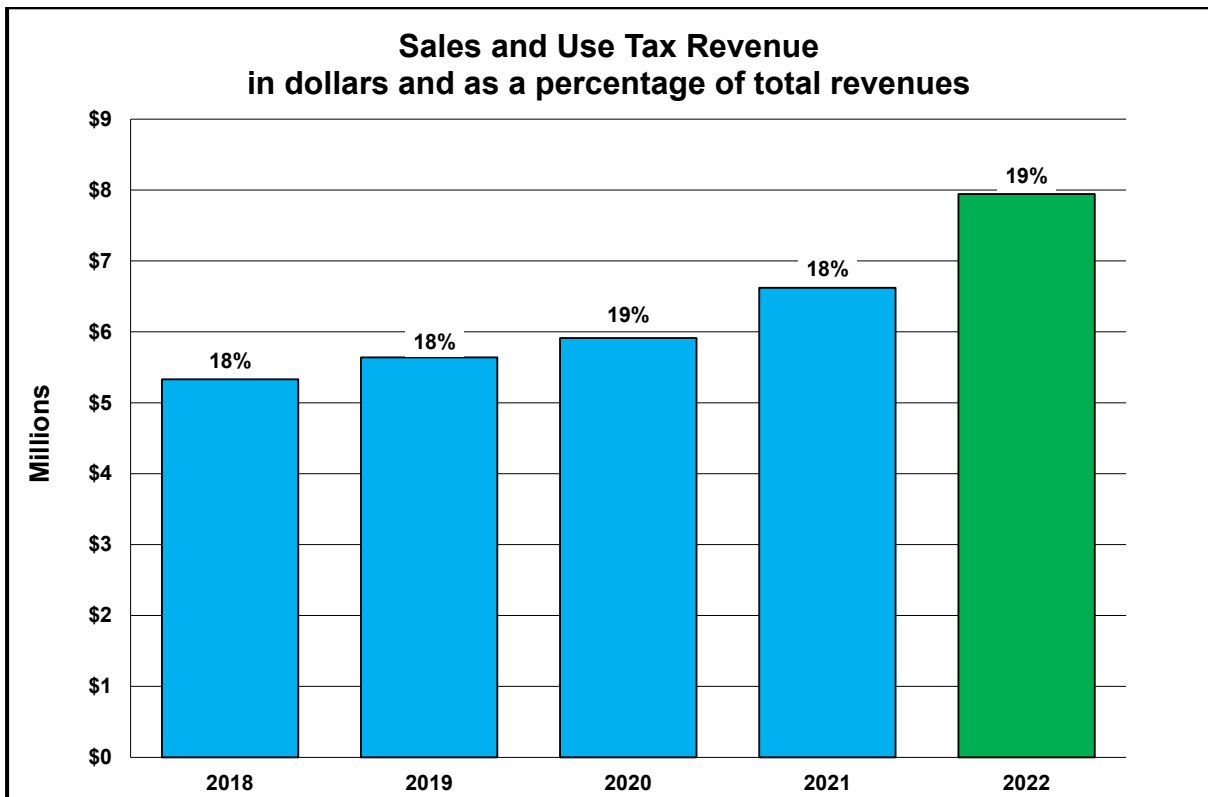
Economic factors and next year’s budgets and rates

The following key economic information reflects the growth and prosperity in Kernersville.



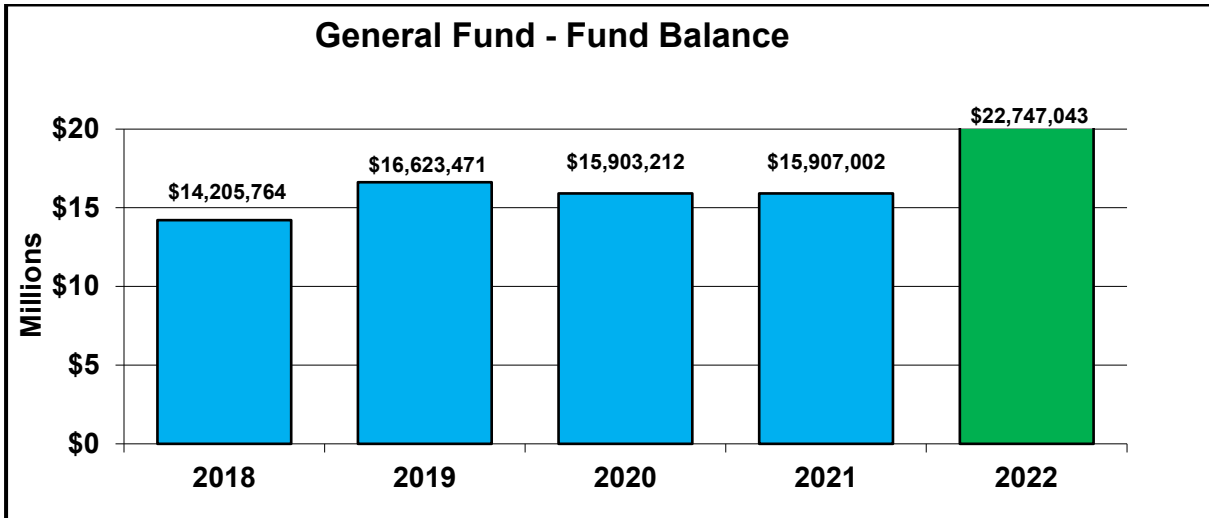


The preceding graphs show that the Town's largest source of revenue, property taxes, increased steadily from 2018 to 2022.



**Town of Kernersville, North Carolina
Management's Discussion and Analysis**

Growth in the Town's second largest revenue source (sales and use tax) has increased steadily from 2018 to 2022. A 12.0% or \$708,479 collection increase was observed in 2021, followed by a 19.9% increase or \$1,323,651 in 2022.



As indicated earlier, fund balance can be a good indicator of the General Fund's liquidity. The Town's General Fund - fund balance has increased gradually over the years, as can be seen from the graph above. The increase of 3.0% or \$376,943 in 2016-17 was due primarily to an increase in taxes collected and an increase in contributions and donations. The increase of 11.1% or \$1,424,191 in 2017-18 was primarily due to equipment ordered at year-end but not received, projects in progress at fiscal year-end (paving and Founders park), and revenues exceeding expenditures. The increase of 17.0% or \$2,417,707 in 2018-19 was due to revenues exceeding expenditures (increases in taxes collected and several large capital project expenditures). The decrease of (4.3)% or \$(720,259) in 2019-20 was due to expenditures exceeding revenue. The decrease of (0.2)% or \$(24,919) in 2020-21 was due to decreased revenues in response to the pandemic.

The General Fund - fund balance increased 43.0% or \$6,840,041 in 2021-22 due to revenues exceeding expenditures. Regarding the revenues, there were notable increases in Ad Valorem property tax, local option sales and use tax, and unspent installment purchase proceeds (Schedule 1). Regarding the expenditures, there were several large capital equipment purchases that were budgeted but not received and construction projects that were not completed at fiscal year-end.

While labor statistics are not available for the Town of Kernersville, they are available for both Forsyth County and Guilford County, where Kernersville is located. As of June 30, 2022, the unemployment rate for Forsyth County was 4.1% and Guilford County was 4.6%, compared to the State seasonally adjusted rate of 3.4% during the same period. The data was obtained from the Employment Security Commission of North Carolina.

Budget highlights for the upcoming fiscal year ending June 30, 2023

Governmental funds: The General Fund budget for fiscal year 2022-23 was approved at \$43,200,846. The collection of property taxes - the Town's largest source of revenue - is expected to conservatively increase compared to the amount collected in fiscal year 2021-2022 based upon prior collection history. The General Fund tax rate for the fiscal year ending June 30, 2023 is 55.90 cents per hundred-dollar valuation of taxable property.

The unrestricted intergovernmental revenue categories budgeted in 2022-23 are expected to modestly increase compared to the amounts collected in fiscal year 2021-2022, based upon prior collection history.

**Town of Kernersville, North Carolina
Management's Discussion and Analysis**

The restricted intergovernmental revenue categories budgeted in 2022-23 allocates \$5,454,600 in budgeted loans will finance several capital outlay items including equipment and improvements to Town properties.

Other non-major governmental fund services and expenditures in 2022-23 are comparable to those in the prior year.

Enterprise fund: The budget for the Stormwater Enterprise Fund was approved at \$2,354,794 for 2022-23 with \$305,117 budgeted for drainage design and improvements at Broken Saddle Lane. Also, maintenance of storm drainage structures was budgeted for \$40,000 and a knuckleboom truck was budgeted for \$193,000.

Requests for information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Director, Town of Kernersville, 134 East Mountain Street, Post Office Drawer 728, Kernersville, North Carolina 27285.

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

This page left blank intentionally.

Basic Financial Statements

This page left blank intentionally.

Town of Kernersville, North Carolina
Statement of Net Position
June 30, 2022

Exhibit 1
(2 pages)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 27,080,088	\$ 1,274,611	\$ 28,354,699
Prepaid assets	13,888	-	13,888
Receivables:			
Taxes receivable, net	217,957	-	217,957
Accrued interest receivable on taxes	27,587	-	27,587
Accounts receivable, net	588,189	1,958	590,147
Lease receivable	23,061	-	23,061
Due from other governments	3,174,785	-	3,174,785
Restricted cash and cash equivalents	2,565,653	-	2,565,653
	<u>33,691,208</u>	<u>1,276,569</u>	<u>34,967,777</u>
Total current assets			
Noncurrent assets:			
Lease receivable, less current portion	4,869	-	4,869
Right to use leased assets, net of amortization	349,712	-	349,712
Capital assets:			
Capital assets not depreciated	87,068,892	-	87,068,892
Other capital assets, net of depreciation	72,411,123	1,096,395	73,507,518
	<u>159,834,596</u>	<u>1,096,395</u>	<u>160,930,991</u>
Total noncurrent assets			
	<u>193,525,804</u>	<u>2,372,964</u>	<u>195,898,768</u>
Total assets			
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	3,918,654	144,983	4,063,637
OPEB deferrals	1,355,885	456,363	1,812,248
	<u>5,274,539</u>	<u>601,346</u>	<u>5,875,885</u>
Total deferred outflows of resources			
Total assets and deferred outflows of resources			
	<u>\$ 198,800,343</u>	<u>\$ 2,974,310</u>	<u>\$ 201,774,653</u>

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 1,662,090	\$ 81,849	\$ 1,743,939
Performance bonds	344,055	-	344,055
Claims and judgments	504,794	-	504,794
Accrued interest payable	67,034	765	67,799
Advanced rent payments	47,424	-	47,424
Taxes collected in advance	62,504	-	62,504
Current portion of total pension liability - LEO	413,527	-	413,527
Current portion of long-term liabilities	<u>5,574,826</u>	<u>131,200</u>	<u>5,706,026</u>
Total current liabilities	<u>8,676,254</u>	<u>213,814</u>	<u>8,890,068</u>
Long-term liabilities:			
Due in more than one year	17,977,295	91,569	18,068,864
Net pension liability - LGERS	2,776,541	99,780	2,876,321
Total pension liability - LEO, net of current	3,517,966	-	3,517,966
Total OPEB liability	<u>10,431,775</u>	<u>465,358</u>	<u>10,897,133</u>
Total long-term liabilities	<u>34,703,577</u>	<u>656,707</u>	<u>35,360,284</u>
Total liabilities	<u>43,379,831</u>	<u>870,521</u>	<u>44,250,352</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	18,404	-	18,404
Pension deferrals	4,588,214	156,992	4,745,206
OPEB deferrals	<u>3,653,747</u>	<u>162,992</u>	<u>3,816,739</u>
Total deferred inflows of resources	<u>8,260,365</u>	<u>319,984</u>	<u>8,580,349</u>
NET POSITION			
Net investment in capital assets	141,685,568	905,066	142,590,634
Restricted for:			
Stabilization by state statute	3,772,500	-	3,772,500
Tourism	138,262	-	138,262
Public safety	573,895	-	573,895
Unrestricted	<u>989,922</u>	<u>878,739</u>	<u>1,868,661</u>
Total net position	<u>147,160,147</u>	<u>1,783,805</u>	<u>148,943,952</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 198,800,343</u>	<u>\$ 2,974,310</u>	<u>\$ 201,774,653</u>

Town of Kernersville, North Carolina
Statement of Activities
Year Ended June 30, 2022

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 6,530,255	\$ 518,809	\$ 16,118	\$ -	\$ (5,995,328)	\$ -	\$ (5,995,328)
Public safety	17,127,838	240,261	1,014,204	-	(15,873,373)	-	(15,873,373)
Public service	9,115,678	1,731,755	3,086,919	588,071	(3,708,933)	-	(3,708,933)
Cultural and recreation	3,121,925	291,139	-	-	(2,830,786)	-	(2,830,786)
Interest on long-term obligations	875,440	-	-	-	(875,440)	-	(875,440)
Total governmental activities	<u>36,771,136</u>	<u>2,781,964</u>	<u>4,117,241</u>	<u>588,071</u>	<u>(29,283,860)</u>	<u>-</u>	<u>(29,283,860)</u>
Business-type activities:							
Stormwater	<u>1,197,898</u>	<u>1,206,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,899</u>	<u>8,899</u>
Total business-type activities	<u>1,197,898</u>	<u>1,206,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,899</u>	<u>8,899</u>
Total government	<u>\$ 37,969,034</u>	<u>\$ 3,988,761</u>	<u>\$ 4,117,241</u>	<u>\$ 588,071</u>	<u>(29,283,860)</u>	<u>8,899</u>	<u>(29,274,961)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					21,188,484	-	21,188,484
Other taxes					320,083	-	320,083
Unrestricted intergovernmental revenues					14,756,781	-	14,756,781
Unrestricted investment earnings					104,528	2,135	106,663
Gain on sale of capital assets					106,337	-	106,337
Miscellaneous					7,608,122	-	7,608,122
Total general revenues not including transfers					<u>44,084,335</u>	<u>2,135</u>	<u>44,086,470</u>
Net transfers					<u>(213,724)</u>	<u>213,724</u>	<u>-</u>
Total general revenues and transfers					<u>43,870,611</u>	<u>215,859</u>	<u>44,086,470</u>
Change in net position					<u>14,586,751</u>	<u>224,758</u>	<u>14,811,509</u>
Net position, beginning					<u>132,573,396</u>	<u>1,559,047</u>	<u>134,132,443</u>
Net position, ending					<u>\$ 147,160,147</u>	<u>\$ 1,783,805</u>	<u>\$ 148,943,952</u>

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

Town of Kernersville, North Carolina
 Balance Sheet
 Governmental Funds
 June 30, 2022

Exhibit 3
 (2 pages)

	Major Funds				Total Governmental Funds
	General Fund	American Rescue Plan Act Special Revenue Fund	Recreation Department Capital Projects Ordinance Fund	Non-Major Governmental Funds	
ASSETS					
Cash and cash equivalents	\$ 18,102,966	\$ 500	\$ 5,261,425	\$ 2,799,886	\$ 26,164,777
Restricted cash	2,564,259	-	-	1,394	2,565,653
Prepaid assets	13,888	-	-	-	13,888
Taxes receivable, net	217,957	-	-	-	217,957
Accounts receivable, net	588,189	-	-	-	588,189
Lease receivable	27,930	-	-	-	27,930
Due from other governments	3,157,001	-	-	17,784	3,174,785
Total assets	<u>\$ 24,672,190</u>	<u>\$ 500</u>	<u>\$ 5,261,425</u>	<u>\$ 2,819,064</u>	<u>\$ 32,753,179</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 1,234,803	\$ -	\$ 208,735	\$ 218,552	\$ 1,662,090
Performance bonds	344,055	-	-	-	344,055
Advanced rent payments	47,424	-	-	-	47,424
Taxes collected in advance	62,504	-	-	-	62,504
Total liabilities	<u>1,688,786</u>	<u>-</u>	<u>208,735</u>	<u>218,552</u>	<u>2,116,073</u>
DEFERRED INFLOWS OF RESOURCES					
Property tax receivable	217,957	-	-	-	217,957
Leases	18,404	-	-	-	18,404
Total deferred inflows of resources	<u>236,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,361</u>
FUND BALANCES					
Non-spendable:					
Prepaid assets	13,888	-	-	-	13,888
Restricted:					
Stabilization by state statute	3,754,716	-	-	17,784	3,772,500
Capital equipment	2,220,204	-	-	-	2,220,204
Tourism	-	-	-	138,262	138,262
Public safety	-	-	-	573,895	573,895
Committed:					
Capital projects	1,398,888	-	5,052,690	1,870,571	8,322,149
Assigned:					
Subsequent year's expenditures	-	500	-	-	500
Unassigned	15,359,347	-	-	-	15,359,347
Total fund balances	<u>22,747,043</u>	<u>500</u>	<u>5,052,690</u>	<u>2,600,512</u>	<u>30,400,745</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,672,190</u>	<u>\$ 500</u>	<u>\$ 5,261,425</u>	<u>\$ 2,819,064</u>	<u>\$ 32,753,179</u>

Town of Kernersville, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2022

Exhibit 3
(2 pages)

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

Total fund balance, governmental funds	\$ 30,400,745
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	159,480,015
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	
Right to use assets at historical cost	724,232
Accumulated amortization	<u>(374,520)</u>
	349,712
Deferred outflows of resources related to pensions are not reported in the funds	3,918,654
Deferred outflows of resources related to OPEB are not reported in the funds	1,355,885
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	27,587
The Self-Insurance Internal Service Fund is used by management to charge the costs of workers' compensation claims to the General Fund. The assets and liabilities of the Self-Insurance Internal Service Fund are included in governmental activities in the Statement of Net Position.	410,517
Earned revenues considered deferred inflows of resources in fund statements	217,957
Net pension liability - LGERS	(2,776,541)
Total pension liability - LEO	(3,931,493)
Total OPEB liability	(10,431,775)
Deferred inflows of resources related to pensions are not reported in the funds	(4,588,214)
Deferred inflows of resources related to OPEB are not reported in the funds	(3,653,747)
Some liabilities, including long-term debt and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	<u>(23,619,155)</u>
Net position of governmental activities	<u>\$ 147,160,147</u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 4
(3 pages)

	Major Funds				Total Governmental Funds
	General Fund	American Rescue Plan Act Special Revenue Fund	Recreation Department Capital Projects Ordinance Fund	Non-Major Governmental Funds	
Revenues:					
Ad valorem taxes	\$ 21,211,736	\$ -	\$ -	\$ -	\$ 21,211,736
Other taxes and licenses	117,874	-	-	202,209	320,083
Unrestricted intergovernmental	10,827,242	3,929,539	-	-	14,756,781
Restricted intergovernmental	1,378,152	-	-	254,948	1,633,100
Penalties and interest	93,720	916	4,764	3,741	103,141
Contributions and donations	3,045,356	-	-	16,118	3,061,474
Other general revenues	185,424	-	-	-	185,424
Functionally related revenues	2,792,702	-	-	-	2,792,702
Total revenues	39,652,206	3,930,455	4,764	477,016	44,064,441
Expenditures:					
Current:					
Capital outlay	-	-	-	528,246	528,246
Other operating expenses	-	-	-	183,192	183,192
General government	5,884,558	452,215	-	-	6,336,773
Public safety	13,675,988	2,750,000	-	303,597	16,729,585
Public service	6,997,681	527,740	-	-	7,525,421
Cultural and recreational	1,881,523	200,000	619,282	89,500	2,790,305
Debt service:					
Principal	3,711,291	-	-	27,867	3,739,158
Interest and other charges	881,336	-	-	-	881,336
Total expenditures	33,032,377	3,929,955	619,282	1,132,402	38,714,016
Revenues over (under) expenditures	6,619,829	500	(614,518)	(655,386)	5,350,425
Other financing sources (uses):					
Transfers from other funds	63,461	-	4,273,861	126,173	4,463,495
Transfers to other funds	(4,627,558)	-	-	(49,661)	(4,677,219)
Installment purchase obligations issued	3,953,740	-	-	270,000	4,223,740
Lease liabilities issued	724,232	-	-	-	724,232
Sale of capital assets	106,337	-	-	-	106,337
Total other financing sources	220,212	-	4,273,861	346,512	4,840,585
Net change in fund balances	6,840,041	500	3,659,343	(308,874)	10,191,010
Fund balances, beginning	15,907,002	-	1,393,347	2,909,386	20,209,735
Fund balances, ending	\$ 22,747,043	\$ 500	\$ 5,052,690	\$ 2,600,512	\$ 30,400,745

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 4
(3 pages)

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities**

Total net change in fund balances - total governmental funds	\$	10,191,010
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 2,138,548	
Depreciation expense for governmental assets	<u>(4,589,058)</u>	(2,450,510)
Right to use leased asset capital outlay expenditures which were capitalized		
	724,232	
Amortization expense for intangible assets	<u>(374,520)</u>	349,712
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.		
Proceeds on disposal of fixed assets under modified accrual basis	106,337	
Gain on sale of fixed assets recognized under full accrual basis	<u>(106,337)</u>	-
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		1,411,133
Benefit payments paid and administrative expense for the Law Enforcement Officers Separation Allowance are not included on the Statement of Activities		226,946
OPEB benefit payments and administrative costs made in the current fiscal year are not included on the Statement of Activities		445,030
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets	7,428,065	
Change in unavailable revenue, property tax receivable	(10,407)	
Change in accrued interest receivable on property taxes	<u>(12,845)</u>	7,404,813

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2022

Exhibit 4
(3 pages)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and 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.

New installment purchase obligations issued	\$ (4,223,740)	
Lease liabilities issued	(724,232)	
Principal payments on long-term debt	3,739,158	
Change in accrued interest payable	<u>5,896</u>	\$ (1,202,918)

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.

Change in compensated absences	(27,023)	
OPEB plan expense	(679,769)	
Pension expense	<u>(1,494,496)</u>	(2,201,288)

Change in net position of internal service funds determined to be governmental-type.

412,823

Total changes in net position of governmental activities

\$ 14,586,751

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2022

Exhibit 5
(2 pages)

	Budgeted Amounts		Actual Amounts	Variance with Final
	Original	Final		Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 20,401,961	\$ 20,401,961	\$ 21,211,736	\$ 809,775
Other taxes and licenses	123,300	109,800	117,874	8,074
Unrestricted intergovernmental	9,534,496	10,534,496	10,827,242	292,746
Restricted intergovernmental	4,794,897	3,554,146	1,378,152	(2,175,994)
Penalties and interest	32,395	64,195	91,520	27,325
Contributions and donations	1,141,155	3,094,896	3,045,356	(49,540)
Other general revenues	102,100	166,100	185,424	19,324
Functionally related revenues	2,695,413	2,735,966	2,792,702	56,736
Total revenues	38,825,717	40,661,560	39,650,006	(1,011,554)
Expenditures:				
Current:				
General government	5,000,044	6,358,309	6,705,758	(347,449)
Public safety	17,299,231	17,354,634	15,360,153	1,994,481
Public service	7,967,035	10,330,532	7,419,536	2,910,996
Cultural and recreational	4,007,032	5,973,862	2,291,731	3,682,131
Debt service	870,165	870,165	1,255,199	(385,034)
Total expenditures	35,143,507	40,887,502	33,032,377	7,855,125
Revenues over (under) expenditures	3,682,210	(225,942)	6,617,629	6,843,571
Other financing sources (uses):				
Transfers from other funds	62,261	62,261	63,461	1,200
Transfers to other funds	(4,901,228)	(4,901,228)	(4,901,228)	-
Installment purchase obligations issued	3,755,265	3,953,740	3,953,740	-
Lease liabilities issued	-	-	724,232	-
Sale of capital assets	65,790	65,790	106,337	40,547
Total other financing sources (uses)	(1,017,912)	(819,437)	(53,458)	41,747

Town of Kernersville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
Year Ended June 30, 2022

Exhibit 5
(2 pages)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Revenues and other financing sources over (under) expenditures and other financing sources	\$ 2,664,298	\$ (1,045,379)	\$ 6,564,171	\$ 6,885,318
Fund balance appropriated	<u>3,024,749</u>	<u>3,024,749</u>	<u>-</u>	<u>(3,024,749)</u>
Revenues, other financing sources and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ 5,689,047</u>	<u>\$ 1,979,370</u>	6,564,171	<u>\$ 3,860,569</u>
Fund balance, beginning			<u>14,783,984</u>	
Fund balance, ending			21,348,155	
A legally budgeted capital reserve fund is consolidated into the General Fund for reporting purposes:				
Fund balance, beginning			1,123,018	
Investment earnings			2,200	
Net transfers to other funds			<u>273,670</u>	
Fund balance, ending (Exhibit 4)			<u>\$ 22,747,043</u>	

Town of Kernersville, North Carolina
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

Exhibit 6

	Major Enterprise Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,274,611	\$ 915,311
Accounts receivable, net	1,958	-
Total current assets	<u>1,276,569</u>	<u>915,311</u>
Noncurrent assets:		
Capital assets, net of depreciation	<u>1,096,395</u>	<u>-</u>
Total noncurrent assets	<u>1,096,395</u>	<u>-</u>
Total assets	<u>2,372,964</u>	<u>915,311</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	144,983	-
OPEB deferrals	<u>456,363</u>	<u>-</u>
Total deferred outflows	<u>601,346</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	81,849	-
Claims and judgments	-	504,794
Accrued interest payable	765	-
Current portion of long-term liabilities	<u>131,200</u>	<u>-</u>
Total current liabilities	<u>213,814</u>	<u>504,794</u>
Noncurrent liabilities:		
Net pension liability - LGERS	99,780	-
Total OPEB liability	465,358	-
Noncurrent portion of long-term debt	<u>91,569</u>	<u>-</u>
Total noncurrent liabilities	<u>656,707</u>	<u>-</u>
Total liabilities	<u>870,521</u>	<u>504,794</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	156,992	-
OPEB deferrals	<u>162,992</u>	<u>-</u>
Total deferred inflows	<u>319,984</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	905,066	-
Unrestricted	<u>878,739</u>	<u>410,517</u>
Total net position	<u>\$ 1,783,805</u>	<u>\$ 410,517</u>

Town of Kernersville, North Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

Exhibit 7

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating revenues		
Charges for services	\$ 1,206,797	\$ 310,661
Total operating revenues	<u>1,206,797</u>	<u>310,661</u>
Operating expenses		
Personnel services	660,297	-
Depreciation	193,829	-
Other current charges	344,015	-
Claims incurred	-	(181,737)
Stop-loss coverage	-	71,011
Administration	-	9,951
Total operating expenses	<u>1,198,141</u>	<u>(100,775)</u>
Operating income	<u>8,656</u>	<u>411,436</u>
Nonoperating revenues		
Investment earnings	2,135	1,387
Interest and other charges	243	-
Total nonoperating revenues	<u>2,378</u>	<u>1,387</u>
Income before transfers	11,034	412,823
Other financing sources		
Transfers from other funds	213,724	-
Change in net position	224,758	412,823
Total net position, beginning	<u>1,559,047</u>	<u>(2,306)</u>
Total net position, ending	<u>\$ 1,783,805</u>	<u>\$ 410,517</u>

Town of Kernersville, North Carolina
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

Exhibit 8

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,205,234	\$ -
Cash paid for goods and services	(332,092)	(71,011)
Cash paid to or on behalf of employees for services	(672,577)	-
Receipts from other funds	-	310,661
Payment of claims	-	(168,018)
Payment of fee to administrator	-	(9,951)
	<u>200,565</u>	<u>61,681</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities		
Transfers in from other funds	<u>213,724</u>	<u>-</u>
	<u>213,724</u>	<u>-</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(78,233)	-
Proceeds from installment debt	82,436	-
Principal paid on installment debt	<u>(114,256)</u>	<u>-</u>
	<u>(110,053)</u>	<u>-</u>
Net cash used by capital and related financing activities		
Cash flows from investing activities		
Investment earnings	<u>2,135</u>	<u>1,387</u>
	<u>2,135</u>	<u>1,387</u>
Net cash provided by investing activities		
Net change in cash and cash equivalents	306,371	63,068
Cash and cash equivalents, beginning	<u>968,240</u>	<u>852,243</u>
Cash and cash equivalents, ending	<u>\$ 1,274,611</u>	<u>\$ 915,311</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 8,656	\$ 411,436
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	193,829	-
Change in assets, deferred outflows of resources, and liabilities:		
Increase in deferred outflows of resources - pensions	(7,016)	-
Decrease in net pension liability	(159,787)	-
Decrease in deferred inflows of resources - pensions	148,354	-
Decrease in deferred outflows of resources - OPEB	(450,877)	-
Increase in OPEB liability	322,616	-
Increase in deferred inflows of resources - OPEB	111,394	-
Accounts receivable, net	(1,563)	-
Accounts payable and accrued liabilities	11,923	-
Claims and judgments	-	(349,755)
Accrued vacation pay	23,036	-
	<u>\$ 200,565</u>	<u>\$ 61,681</u>
Net cash provided by operating activities		

Town of Kernersville, North Carolina
Statement of Fiduciary Net Position
Kernersville Sewer Settlement Residual Fund
June 30, 2022

Exhibit 9

	<u>Trust Fund</u> <u>Kernersville</u> <u>Sewer</u> <u>Settlement</u> <u>Residual Fund</u>
ASSETS	
Cash and cash equivalents	\$ 641,648
Total assets	<u>641,648</u>
LIABILITIES	
Accounts payable and accrued liabilities	<u>639,792</u>
Total liabilities	<u>639,792</u>
NET POSITION	
Restricted for settlement payments	<u>1,856</u>
Total net position	<u>\$ 1,856</u>

Town of Kernersville, North Carolina
 Statement of Changes in Fiduciary Net Position
 Kernersville Sewer Settlement Residual Fund
 Year Ended June 30, 2022

Exhibit 10

	<u>Trust Fund</u> <u>Kernersville</u> <u>Sewer</u> <u>Settlement</u> <u>Residual Fund</u>
Additions	
Investment income	\$ 293
Total additions	<u>293</u>
Net change in fund balance	293
Net position - beginning of year	<u>1,563</u>
Net position - end of year	<u><u>\$ 1,856</u></u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Kernersville 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 Kernersville (the "Town") is a municipal corporation which is governed by an elected mayor and a five-member Board of Aldermen. As required by generally accepted accounting principles, these financial statements present all funds, agencies, boards, commissions and authorities which are controlled by or are financially dependent upon the Town.

B. Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the non-fiduciary activities of the overall government. Eliminations have been made to minimize the effect of internal activities upon revenues and expenses; however, interfund services provided and used are not eliminated in the process of consolidation. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for 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 are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund financial statements: The fund financial statements provide information about the Town's funds, including the fiduciary fund. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each displayed in a separate column. All remaining governmental 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. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities.

The Town reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state and federal grants, and various other taxes and licenses. The primary expenditures are for public safety, streets and maintenance, sanitation and general government services.

Town of Kernersville, North Carolina
Notes to Financial Statements

Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance, the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplementary information. The Capital Reserve Fund is used to account for resources to be used for future major capital purchases or projects.

The Recreation Department Capital Projects Ordinance Fund. The Recreation Department Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Recreation Department.

The American Rescue Plan Act Special Revenue Fund. The American Rescue Plan Act Special Revenue Fund is used to account for federal grant funds received and spent as part of the American Rescue Plan Act for COVID-19 relief and economic recovery.

The Town reports the following major enterprise fund:

Stormwater Fund. The purpose of the Stormwater Enterprise Fund is to finance the operations of the Stormwater Division, which was created in response to state and federal mandates, as well as a desire of the citizenry to ensure that the Town remains a quality community, especially in regard to environmental stewardship.

The Town reports the following non-major governmental funds:

Special Revenue Funds. The Town reports four special revenue funds. The Occupancy Tax Fund accounts for the revenue generated by the tax charged on hotel and motel rooms to be used to promote travel and tourism, and tourism-related expenditures; the Emergency Telephone System Fund accounts for 911 system subscriber fees and levies; the Contributions Fund accounts for donations used to support drug education programs; and the Law Enforcement Forfeitures Fund accounts for restricted proceeds resulting from the sale of properties seized in criminal investigations.

Capital Project Funds. The Town reports two non-major Capital Project funds. The Kerner Mill Greenway Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvement related to the Kerner Mill Greenway. The Fire Department Facility Capital Projects Ordinance Fund accounts for the financial resources and uses for the acquisition or construction of assets and improvements related to the Fire Department Facility.

The Town reports the following non-major proprietary funds:

Internal Service Fund. The Internal Service fund accounts for operations that provide services to other departments or agencies of the Town, or to other governments, on a cost-reimbursement basis. The Town has one Internal Service Fund. The Self-Insurance Fund accounts for workers' compensation insurance provided for the Town's employees.

Additionally, the Town reports the following fund type:

Trust Fund. The Kernersville Sewer Settlement Residual Fund accounts for money to be paid out to individuals related to the CCUC Class Action Lawsuit.

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.

Town of Kernersville, North Carolina
Notes to Financial Statements

Government-wide, proprietary, and fiduciary fund financial statements: The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and 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. Nonexchange 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.

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 installment purchase agreements are reported as other financing sources.

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

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

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 positions 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 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, the Special Revenue Funds, and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Capital Project Funds.

Town of Kernersville, North Carolina
Notes to Financial Statements

All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds and at the object level for multi-year funds. The Town Manager is authorized to make budget amendments to all departments and line items within the same fund, and is required to have such amendments entered into the minutes of the next regular meeting of the Board of Aldermen. During the year, amendments to the original budget were necessary, the effects of which were not material.

E. Assets, liabilities, deferred outflows/inflows of resources and net position or fund balance

(1) Deposits and investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States; or obligations fully guaranteed, both as to principal and interest, by the United States; obligations of the state of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT).

The Town's investments are reported at fair value. 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 bond fund, has no rating and is measured at fair value. As of June 30, 2022, The Term portfolio has a duration of .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, except for the Kernersville Sewer Settlement Residual Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

(3) Restricted assets

Performance bonds in the amount of \$344,055 are classified as restricted cash on the balance sheet Governmental Funds. The Town requires developers/contractors to pay a performance bond to guarantee successful performance on certain construction projects. Once the Town has ensured that the work has been satisfactorily completed, the performance bonds are released. In addition, there is \$2,221,598 on the Governmental Funds balance sheet of unexpended debt proceeds that are restricted to the purpose for which the debt was issued.

(4) Lease receivable

The Town's lease receivable is measured at the present value of lease payments expected to be received during the least terms. Under some lease agreements, the Town may receive variable lease payments. A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of the leases in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the leases.

Town of Kernersville, North Carolina
Notes to Financial Statements

(5) Ad valorem taxes receivable

In accordance with state law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. These taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. The taxes levied are based on the assessed values as of January 1, 2021. As allowed by state law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

(6) 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 written off in prior years.

(7) Prepaid assets

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

(8) Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain amount and an estimated useful life in excess of three years. Minimum capitalization costs are as follows: buildings and improvements - \$20,000; infrastructure - \$100,000; and furniture, equipment and vehicles - \$5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to July 1, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or historical cost. General infrastructure assets acquired prior to July 1, 2003 consist of road network assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are 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>
Buildings and improvements	50 years
Land improvements	25 years
Infrastructure	40 years
Furniture, equipment, and heavy equipment	5 to 10 years
Vehicles	6 years

(9) Right-to-Use Asset

The Town has recorded right-to-use leased assets as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability. The right-to-use assets are amortized on a straight-line basis over the life of the related leases.

(10) 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 assets that applies to future periods and so will not be recognized as an expense or expenditure until then. The Town has two items that meet the criterion for this category: pension and OPEB deferrals for the 2022 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net assets that applies to future periods and so will not be recognized as revenue until then. The Town has three items that meet the criterion for this category: leases receivable, OPEB, and pension deferrals.

(11) Long-term obligations

In the government-wide financial statements and the 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 or business-type activities statement of net position.

(12) Compensated absences

The vacation policy of the Town provides for a maximum accumulation of 240 hours of earned vacation leave based on an employee's years of service, five years or greater. Such leave is fully vested when earned. Employees that have 0 to 4 years of experience cannot accrue any vacation. At the end of each calendar year, any vacation balance in excess of the amount that an employee could accrue in a 24-month period is converted to sick leave. Any accrued vacation not converted to sick leave in excess of the maximum accumulation shall be cancelled.

For the Town's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but 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 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 the government-wide financial statements is classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or the 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.

Town of Kernersville, North Carolina
Notes to Financial Statements

Prepaid Assets - portion of fund balance that is not an available resource because it represents the year-end balance of costs applicable to future accounting periods, which are not spendable resources.

Restricted fund balance - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 1559-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State Statute." Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Capital Equipment - portion of fund balance that is restricted due to unexpended installment purchases for the purchase of capital assets.

Restricted for Tourism - portion of fund balance restricted by occupancy tax revenues for tourism-related expenditures.

Restricted for Public Safety - portion of fund balance that is restricted by revenue source for certain emergency telephone system expenditures and for law enforcement expenditures.

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

Committed for Capital Projects - portion of fund balance that is set aside by the Board for capital projects.

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

Subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated in the next year's budget ordinance, as approved by the Town's governing body.

Unassigned fund balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The Town of Kernersville has a revenue-spending practice that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond and installment financing 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 finally unassigned fund balance. The Finance Officer has the authority to deviate from this practice, if it is in the best interest of the Town.

Town of Kernersville, North Carolina
Notes to Financial Statements

The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

(14) Pensions

For purposes of measuring the total pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town's employer contributions are recognized when due and the Town has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

F. Change in Accounting Principle

Effective July 1, 2021, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. At July 1, 2021, the Town recognized right to use assets and lease liabilities for governmental activities of \$621,631. Further, at July 1, 2021, the Town recognized lease receivables and deferred inflow of resources for governmental activities of \$93,64. This adjustment had no effect on the beginning net position at July 1, 2021, since the deferred inflows equal the amount of the lease receivable upon adoption for the leases in which the Town is a lessor, and since the right-of-use leased asset equals the lease liability upon adoption for the leases in which the Town is a lessee.

2. Detail Notes on All Funds

A. Assets

(1) Deposits

All deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in its name. The amount of the pledged collateral is based on an approved averaging method for noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

Town of Kernersville, North Carolina
Notes to Financial Statements

At June 30, 2022, the Town's deposits had a carrying amount of \$5,857,098 and a bank balance of \$6,061,998. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

At June 30, 2022, the Town's petty cash fund totaled \$8,800.

(2) Investments

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

<u>Investments by Type</u>	<u>Valuation Measurement Method</u>	<u>Book Value at June 30, 2022</u>	<u>Maturity</u>	<u>Rating</u>
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 4,466,127	N/A	AAAm
NC Capital Management Trust - Term Portfolio	Fair Value Level 1	<u>21,229,975</u>	0.11 years	Unrated
Total		<u>\$ 25,696,102</u>		

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

Level of fair value hierarchy:

Level 1 - Debt securities valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

The Town does not have a formal investment policy.

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

(3) Due from other governments

Amounts due from other governments consist of the following:

	<u>Governmental Activities</u>
General fund:	
Sales and use tax distribution	\$ 2,192,772
Sales tax refunds	316,955
Utilities franchise, video programming, solid waste, and telecommunications tax	454,057
Alcohol beverage tax	192,527
Miscellaneous grant reimbursements	<u>690</u>
Total general fund	3,157,001
Occupancy tax fund:	
Occupancy tax reimbursement	<u>17,784</u>
	<u>\$ 3,174,785</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

(4) Receivables - allowance for doubtful accounts

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

General fund:	
Taxes receivable	<u>\$ 73,000</u>

(5) Capital assets

Capital asset activity for the year ended June 30, 2022 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	\$ 83,533,938	\$ 3,532,932	\$ (94,400)	\$ 86,972,471
Construction in progress	<u>12,777</u>	<u>84,045</u>	<u>(402)</u>	<u>96,421</u>
Total capital assets not being depreciated	<u>83,546,715</u>	<u>3,616,978</u>	<u>(94,802)</u>	<u>87,068,892</u>
Capital assets being depreciated:				
Buildings and improvements	23,803,037	448,126	-	24,251,163
Land improvements	4,791,651	76,947	(32,336)	4,836,262
Infrastructure	103,508,499	3,895,133	-	107,403,632
Equipment and heavy equipment	15,098,611	985,720	(637,151)	15,447,180
Vehicles	<u>5,291,279</u>	<u>670,443</u>	<u>(93,419)</u>	<u>5,868,303</u>
Total capital assets being depreciated	<u>152,493,077</u>	<u>6,076,369</u>	<u>(762,906)</u>	<u>157,806,540</u>
Less accumulated depreciation for:				
Buildings and improvements	7,347,876	646,939	-	7,994,815
Land improvements	2,658,263	222,643	(755)	2,880,151
Infrastructure	56,003,013	2,060,170	-	58,063,183
Equipment and heavy equipment	11,673,645	1,190,487	(638,084)	12,226,048
Vehicles	<u>3,850,450</u>	<u>474,189</u>	<u>(93,419)</u>	<u>4,231,220</u>
Total accumulated depreciation	<u>81,533,247</u>	<u>\$ 4,594,428</u>	<u>\$ (732,258)</u>	<u>85,395,417</u>
Total capital assets being depreciated, net	<u>70,959,830</u>			<u>72,411,123</u>
Governmental activity capital assets, net	<u>\$ 154,506,545</u>			<u>\$ 159,480,015</u>

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

General government	\$ 396,195
Public safety	1,474,121
Public service	2,366,909
Cultural and recreational	<u>357,203</u>
Total depreciation expense	<u>\$ 4,594,428</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 50,548	\$ -	\$ -	\$ 50,548
Land improvements	137,450	-	-	137,450
Infrastructure	137,185	-	-	137,185
Equipment and heavy equipment	2,017,308	-	(6,300)	2,011,008
Vehicles	<u>182,312</u>	<u>78,233</u>	<u>-</u>	<u>260,545</u>
Total capital assets being depreciated	<u>2,524,803</u>	<u>78,233</u>	<u>(6,300)</u>	<u>2,596,736</u>
Less accumulated depreciation for:				
Buildings and improvements	5,308	1,011	-	6,319
Land improvements	46,496	9,172	-	55,668
Infrastructure	48,301	3,429	-	51,730
Equipment and heavy equipment	1,072,147	155,528	(4,620)	1,223,055
Vehicles	<u>138,880</u>	<u>24,689</u>	<u>-</u>	<u>163,569</u>
Total accumulated depreciation	<u>1,311,132</u>	<u>\$ 193,829</u>	<u>\$ (4,620)</u>	<u>1,500,341</u>
Stormwater fund capital assets, net	<u>\$ 1,213,671</u>			<u>\$ 1,096,395</u>

(6) Right to Use Leased Assets

The Town has recorded numerous right to use leased assets. The assets are right to use assets for leased building space, vehicles and equipment. The related leases are discussed in the Leases subsection of the long-term obligations section of this note. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the year ended June 30, 2022 was as follows:

	<u>Restated Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Right to use assets:				
Leased equipment	\$ 298,811	\$ 102,601	\$ -	\$ 401,412
Leased vehicles	77,428	-	-	77,428
Leased buildings	<u>245,392</u>	<u>-</u>	<u>-</u>	<u>245,392</u>
Total right to use assets	<u>621,631</u>	<u>102,601</u>	<u>-</u>	<u>724,232</u>
Less accumulated amortization:				
Leased equipment	-	232,160	-	232,160
Leased vehicles	-	46,457	-	46,457
Leased buildings	<u>-</u>	<u>95,903</u>	<u>-</u>	<u>95,903</u>
Total accumulated amortization	<u>-</u>	<u>\$ 374,520</u>	<u>\$ -</u>	<u>374,520</u>
Right to use assets, net	<u>\$ 621,631</u>			<u>\$ 349,712</u>

(7) Lease receivable

The Town has recorded a lease receivable for several leases for buildings. The agreements have effective dates ranging from August 1998 to November 2012 and range in term from ten to twenty-five years. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term. Lease revenue totaling \$75,243 has been recognized for the year ended June 30, 2022.

Town of Kernersville, North Carolina
Notes to Financial Statements

B. Liabilities

(1) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities at June 30, 2022 were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Payable to vendors and others	\$ 1,164,805	\$ 68,198	\$ 1,233,003
Accrued payroll and related liabilities	<u>497,285</u>	<u>13,651</u>	<u>510,936</u>
Total accounts payable and accrued liabilities	<u>\$ 1,662,090</u>	<u>\$ 81,849</u>	<u>\$ 1,743,939</u>

(2) Pension plan and postemployment obligations

(a) Local Governmental Employees' Retirement System

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

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

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

Town of Kernersville, North Carolina
Notes to Financial Statements

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Kernersville employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town’s contractually required contribution rate for the year ended June 30, 2022 was 12.04% of compensation for law enforcement officers and 11.35% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$1,461,684 for the year ended June 30, 2022.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2022, the Town reported a liability of \$2,876,321 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. The total pension liability was then rolled forward to the measurement date of June 30, 2021, utilizing update procedures incorporating the actuarial assumptions. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2021, the Town’s proportion was 0.188%, which was a decrease of 0.02% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of \$1,049,306. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 917,871	\$ -
Changes of assumptions	609,305	-
Net difference between projected and actual earnings on pension plan investments	-	4,122,019
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	417,431
Town contributions subsequent to the measurement date	<u>1,461,684</u>	<u>-</u>
Total	<u>\$ 2,988,860</u>	<u>\$ 4,539,450</u>

\$1,461,684 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Town of Kernersville, North Carolina
Notes to Financial Statements

Year Ending June 30

2023	\$ 98,081
2024	(240,523)
2025	(405,160)
2026	(2,464,672)
Thereafter	-
	<u>\$ (3,012,274)</u>

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

Inflation	2.50 percent
Salary increases	3.25 to 8.25 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, 2020 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Target Allocation</u>	<u>Real Rate of Return</u>
Fixed income	29.0%	1.4%
Global equity	42.0%	5.3%
Real estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation protection	6.0%	4.0%
Total	<u>100.0%</u>	

Town of Kernersville, North Carolina
Notes to Financial Statements

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

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

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

	<u>1% Decrease (5.50%)</u>	<u>Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town’s proportionate share of the net pension liability (asset)	\$ 11,199,928	\$ 2,876,321	\$ (3,957,422)

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

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

All full-time County law enforcement officers are covered by the Separation Allowance. At December 31, 2021, the Separation Allowance’s membership consisted of:

Retirees receiving benefits	12
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	<u>65</u>
Total	<u><u>77</u></u>

Town of Kernersville, North Carolina
Notes to Financial Statements

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 meets the criteria which are outlined in GASB Statement 73.

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

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

The discount rate is based on the weekly average of the Bond Buyer General Obligation 20-Year Municipal Bond Index determined at the end of each month for the year ending December 31, 2020.

Mortality rates are based on the RP-2014 Series Mortality tables with adjustments for mortality improvements based on Scale AA.

Change in actuarial assumptions. On the prior Measurement Date (December 31, 2020), the Municipal Bond Index Rate, on which the discount rate is based, was 1.93%. Since the Prior Measurement Date, the Municipal Bond Index Rate has increased to 2.25% as of the Measurement Date (December 31, 2021). This resulted in a \$106,097 decrease in the Total Pension Liability.

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 \$210,310 as benefits came due for the reporting period.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At June 30, 2022, the Town reported a total pension liability of \$3,931,493. The total pension liability was measured as of December 31, 2021 based on a December 31, 2020 actuarial valuation. The total pension liability was rolled forward to December 31, 2021 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2022, the Town recognized pension expense of \$445,190.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 98,807	\$ 81,779
Changes of assumptions	746,024	123,977
Benefit payments and plan administrative expense made subsequent to the measurement date	<u>229,946</u>	<u>-</u>
Total	<u>\$ 1,074,777</u>	<u>\$ 205,756</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

The \$229,946 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30

2023	\$	190,205
2024		161,487
2025		150,743
2026		141,291
2027		<u>(4,651)</u>
	\$	<u>639,075</u>

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

	<u>1% Decrease</u> <u>(1.25%)</u>	<u>Discount</u> <u>Rate</u> <u>(2.25%)</u>	<u>1% Increase</u> <u>(3.25%)</u>
Total pension liability	\$ 4,273,465	\$ 3,931,493	\$ 3,619,391

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

	<u>2022</u>
Beginning balance	\$ 3,950,303
Service cost	180,675
Interest on the total pension liability	74,211
Difference between expected and actual experience	42,711
Changes of assumptions or other inputs	(106,097)
Benefit payments	<u>(210,310)</u>
Ending balance of the total pension liability	<u>\$ 3,931,493</u>

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

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2014.

Town of Kernersville, North Carolina
Notes to Financial Statements

(c) 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	\$ 1,049,306	\$ 445,190	\$ 1,494,496
Pension liability	2,876,321	3,931,493	6,807,814
Proportionate share of net pension liability	0.188%	n/a	
Deferred outflows of resources:			
Differences between expected and actual experience	917,871	98,807	1,016,678
Changes of assumptions	609,305	746,024	1,355,329
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-
Benefit payments and administrative costs paid subsequent to the measurement date	1,461,684	229,946	1,691,630
Deferred inflows of resources:			
Differences between expected and actual experience	-	81,779	81,779
Changes of assumptions	-	123,977	123,977
Net difference between projected and actual earnings on plan investments	4,122,019	-	4,122,019
Changes in proportion and differences between contributions and proportionate share of contributions	417,431	-	417,431

(d) Supplemental Retirement Income Plan

Plan description. The Town of Kernersville contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Additionally, the Town has elected to include all permanent, full-time employees under this plan. The Supplemental Retirement Income Plan is included in the Annual Comprehensive Financial Report (ACFR) for the state of North Carolina. The state's ACFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan. 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 5% of each sworn law enforcement officer's salary, and all amounts contributed are vested immediately. Participants may also make voluntary contributions to the Plan.

The Town made contributions of \$229,946 for the reporting year. No amounts were forfeited.

Town of Kernersville, North Carolina
Notes to Financial Statements

(e) Other Postemployment Benefits

(i) 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 postemployment healthcare benefits to retirees of the Town, provided they participate in the North Carolina Local Governmental Employees' Retirement System. For the Town to contribute 100% of the employer's contribution toward health care premiums, the retiree must have completed at least 25 years of creditable service with the Town. To receive 75% of the employer's contribution, the retiree must have completed at least 20 years of creditable service with the Town. To receive 50% of the employer's contribution, the retiree must have completed at least 15 years of creditable service with the Town. Prior to June 30, 2005, employees qualified for full insurance benefits after ten years of creditable service with the Town. The Town pays the cost of coverage for these benefits through private insurers. Also, the Town's retirees can purchase coverage for their dependents at the Town's group rates. The Town's Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

	<u>General Employees</u>	<u>Law Enforcement Officers</u>
Retirees and dependents receiving benefits	40	10
Terminated plan members entitled to but not yet receiving benefits	-	-
Active plan members	<u>248</u>	<u>69</u>
Total	<u>288</u>	<u>79</u>

(ii) Total OPEB liability

The Town's total OPEB liability of \$10,897,133 was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2020.

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

Inflation	2.75 percent
Discount rate	3.69 percent
Healthcare cost trend rates	Medical and prescription - 6.00% initially, trending down to 4.25% ultimately

The discount rate is based on the yield of a 20-year municipal bond Aa index as of the measurement date.

Town of Kernersville, North Carolina
Notes to Financial Statements

(iii) Changes in the total OPEB liability

	<u>2022</u>
Beginning balance	\$ 12,656,415
Service cost	856,917
Interest on the total pension liability	-
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,176,581)
Changes of assumptions or other inputs	-
Benefit payments	<u>(439,618)</u>
Ending balance of the total OPEB liability	<u>\$ 10,897,133</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 1.92% to 3.69%.

Mortality rates were based on the RP-2000 Tables, projected to 2028 with Scale AA.

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 (2.69 percent) or 1 percentage point higher (4.69 percent) than the current rate:

	<u>1% Decrease (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase (4.69%)</u>
Total OPEB liability	<u>\$ 12,106,196</u>	<u>\$ 10,897,133</u>	<u>\$ 9,831,743</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 a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (3.25%)</u>	<u>Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
Total OPEB liability	<u>\$ 9,570,976</u>	<u>\$ 10,897,133</u>	<u>\$ 12,481,908</u>

(iv) OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$679,769. At June 30, 2022, 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	\$ -	\$ 1,821,540
Changes of assumptions	<u>1,812,248</u>	<u>1,995,199</u>
Total	<u>\$ 1,812,248</u>	<u>\$ 3,816,739</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

The amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30

2023	\$ 146,828
2024	146,828
2025	146,828
2026	146,828
2027	146,828
Thereafter	<u>1,270,351</u>
	<u>\$ 2,004,491</u>

3. Other employment benefits

The Town has elected to provide death benefits to local law enforcement employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, state-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those local law enforcement 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 payrolls, 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.

4. Deferred outflows and inflows of resources

Deferred outflows of resources in the current fiscal year is comprised of pension plan deferrals in the amount of \$4,063,637, as well as OPEB deferrals in the amount of \$1,812,248.

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

Taxes receivable, net (General Fund balance sheet)	\$ 217,957
Leases	18,404
Pension deferrals	4,745,206
OPEB deferrals	3,816,739

5. Risk management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions, injuries to employees, illnesses of employees and natural disasters. The Town has general liability, auto and property coverages under a fully insured plan through Travelers Insurance. The Town's auto liability coverage has limits up to \$1,000,000 per occurrence, and the general liability coverage has limits up to \$3,000,000 per occurrence, depending on the type of loss. Property coverage is limited up to the total insurance values of the property policy.

Town of Kernersville, North Carolina
Notes to Financial Statements

The Town is self-funded for workers' compensation insurance. All claims are administered by a third-party administrator. The third-party administrator pays all bills for compensable claims and files documents required by the North Carolina Industrial Commission by personnel licensed to adjust workers' compensation claims in the state of North Carolina. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The estimate of the claims liability also includes other claim adjustment expenses, regardless of whether allocated to specific claims. Estimated recoveries from salvage or subrogation, for example, are another component of the claims liability estimate. The Town is insured by Midwest Employers Casualty Company for workers' compensation claims in excess of \$550,000 up to statutory limits.

Changes in the balances of workers' compensation claims liabilities during the past two years are as follows:

	<u>Year Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
Unpaid claims, beginning of fiscal year	\$ 854,549	\$ 286,450
Incurred claims (including IBNR)	(181,737)	1,219,699
Claim payments	<u>(168,018)</u>	<u>(651,600)</u>
Unpaid claims, end of fiscal year	<u>\$ 504,794</u>	<u>\$ 854,549</u>

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000 individually. The remainder of the Town employees are also bonded under a blanket policy for \$250,000.

The Town carries flood insurance through Travelers Insurance. The Town's flood coverage limit is \$1,000,000 with a \$50,000 deductible. The Town has one structure, a recycling center, within a FEMA-designated "A" zone (an area close to a river, lake, or stream). The Town elected not to purchase excess flood coverage for that structure due to the unlikelihood that the structure would be damaged if flooding occurred.

The Town carries commercial coverage for all other risks or losses. 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.

6. Claims and judgments

Various claims and legal actions are pending against the Town, and it is not possible at this time to predict their outcome. However, in the opinion of management and the Town attorney, ultimate resolutions will not have a material, adverse impact on the Town's financial position.

7. Long-term obligations

(a) Direct borrowing installment purchase agreements - equipment and construction

The Town has entered into installment purchase agreements for the purchase and/or improvement of personal property including vehicles and equipment, as well as real property consisting of land and building improvements. The title to these assets is held in the name of the Town, and security interest has been granted to the financing institution. The installment purchase notes payable at June 30, 2022 are as follows:

Town of Kernersville, North Carolina
Notes to Financial Statements

Serviced by the General Fund:

<p>Direct borrowing installment purchase note payable in the original amount of \$1,218,500 for the purchase of various land and buildings. The underlying assets are held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$81,233, plus interest at 2.25%. Payments are due beginning August 20, 2012, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 20, 2026.</p>	<p>\$ 406,167</p>
<p>Direct borrowing installment purchase note payable in the original amount of \$1,000,000 for the purchase of a fire ladder truck. The underlying assets is held as collateral against this note. The agreement requires a total of 12 annual fixed payments of \$93,905, including interest at 2.25%. Payments are due beginning November 8, 2013, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 8, 2024.</p>	<p>269,496</p>
<p>Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire pumper truck. The underlying asset is held as collateral against this note. The agreement requires a total of ten annual fixed payments of \$51,843, including interest at 2.00%. Payments are due beginning December 17, 2014, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on December 17, 2023.</p>	<p>100,691</p>
<p>Direct borrowing installment purchase note payable in the original amount of \$1,146,900 for the purchase of a tract of land within the Town's limits. The underlying asset is held as collateral against this note. The agreement requires a total of 15 annual variable payments with a fixed principal component of \$76,460, plus interest at 2.63%. Payments are due beginning June 17, 2016, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 17, 2030.</p>	<p>611,680</p>
<p>Installment purchase note payable in the original amount of \$1,097,000 for building and land improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 10 annual variable payments with a fixed principal component of \$109,700, plus interest at 1.98%. Payments are due beginning September 18, 2015, and annually thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2024.</p>	<p>329,100</p>
<p>Direct borrowing installment purchase note payable in the original amount of \$5,130,000 for building and land improvements for the Public Services Administration Facility. The underlying assets are held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$85,500, plus interest at 2.050%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2031.</p>	<p>3,249,000</p>
<p>Direct borrowing installment purchase note payable in the original amount of \$3,185,000 for equipment and paving improvements. The underlying assets are held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$79,625, plus interest at 1.83%. Payments are due beginning January 21, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on October 21, 2026.</p>	<p>1,433,250</p>

Town of Kernersville, North Carolina
Notes to Financial Statements

Direct borrowing installment purchase note payable in the original amount of \$475,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly fixed payments of \$12,963, including interest at 1.74%. Payments are due beginning December 15, 2016, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 15, 2026.	\$ 211,989
Direct borrowing installment purchase note payable in the original amount of \$6,900,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 60 quarterly variable payments with a fixed principal component of \$115,000, plus interest at 2.63%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2032.	4,715,000
Direct borrowing installment purchase note payable in the original amount of \$1,552,000 for land purchase and construction of the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$38,800, plus interest at 2.42%. Payments are due beginning December 18, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 18, 2027.	794,432
Direct borrowing installment purchase note payable in the original amount of \$1,290,035 for various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$64,502, plus interest at 1.91%. Payments are due beginning October 11, 2017, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on July 11, 2022.	64,502
Direct borrowing installment purchase note payable in the original amount of \$300,000 for the construction of Founders Körner Park. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$7,500, plus interest at 3.18%. Payments are due beginning September 28, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 28, 2028.	180,000
Direct borrowing installment purchase note payable in the original amount of \$1,940,000 for land and improvements related to the Fire Station. The underlying asset is held as collateral against this note. The agreement requires a total of 40 quarterly variable payments with a fixed principal component of \$48,500, plus interest at 3.23%. Payments are due beginning December 14, 2018, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on September 14, 2028.	1,212,500
Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the General Fund has been allocated \$909,150 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.80%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023.	220,898

Town of Kernersville, North Carolina
Notes to Financial Statements

<p>Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the General Fund has been allocated \$1,087,944 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024.</p>	\$ 489,575
<p>Direct borrowing installment purchase note payable in the original amount of \$740,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 28 quarterly fixed payments of \$26,639, including interest at 2.25%. Payments are due beginning August 10, 2020, and quarterly thereafter, with a final payment of all outstanding principal and unpaid interest due on June 10, 2027.</p>	540,293
<p>Direct borrowing installment purchase note payable in the original amount of \$518,715 for the purchase of various vehicles and equipment, and various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 1.68%. Payments are due beginning November 1, 2020, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on May 1, 2025.</p>	311,229
<p>Direct borrowing installment purchase note payable in the original amount of \$1,236,740, of which the General Fund has been allocated \$1,152,740 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$57,402, including interest at 0.77%. Payments are due beginning February 17, 2022, with a final payment of all outstanding principal and unpaid interest due on August 17, 2026.</p>	1,037,466
<p>Direct borrowing installment purchase note payable in the original amount of \$850,000 for the purchase of a fire truck. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual fixed payments of \$46,810, including interest at 1.22%. Payments are due beginning February 17, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on August 17, 2031.</p>	807,500
<p>Direct borrowing installment purchase note payable in the original amount of \$320,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 1.49%. Payments are due beginning May 1, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on November 1, 2022.</p>	304,000
<p>Direct borrowing installment purchase note payable in the original amount of \$1,901,000 for the purchase of various improvements. The underlying asset is held as collateral against this note. The agreement requires a total of 20 semi-annual variable payments with a fixed principal component of \$51,872, including interest at 2.56%. Payments are due beginning December 1, 2022, and semi-annually thereafter, with a final payment of all outstanding principal and unpaid interest due on June 1, 2032.</p>	<u>1,901,000</u>
<p>Total</p>	<u>\$ 19,189,768</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

Serviced by the Stormwater Fund:

Direct borrowing installment purchase note payable in the original amount of \$1,274,150, of which the Stormwater Fund has been allocated \$365,000 for the purchase of a various equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$63,708, including interest at 2.8%. Payments are due beginning October 27, 2018, with a final payment of all outstanding principal and unpaid interest due on July 27, 2023. \$ 88,685

Direct borrowing installment purchase note payable in the original amount of \$1,148,044, of which the Stormwater Fund has been allocated \$60,100 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 20 quarterly variable payments with a fixed principal component of \$57,402, including interest at 2.17%. Payments are due beginning October 16, 2019, with a final payment of all outstanding principal and unpaid interest due on July 16, 2024. 27,045

Direct borrowing installment purchase note payable in the original amount of \$1,236,740, of which the Stormwater Fund has been allocated \$84,000 for the purchase of various vehicles and equipment. The underlying assets are held as collateral against this note. The agreement requires a total of 10 semi-annual variable payments with a fixed principal component of \$57,402, including interest at 0.77%. Payments are due beginning February 17, 2022, with a final payment of all outstanding principal and unpaid interest due on August 17, 2026. 75,600

Total \$ 191,330

Annual debt service payments of the direct borrowing installment purchases as of June 30, 2022 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 3,156,718	\$ 407,232	\$ 99,760	\$ 2,777
2024	2,965,885	342,326	46,543	773
2025	2,712,927	280,010	19,797	308
2026	2,356,575	222,883	16,795	162
2027	2,046,389	172,096	8,435	32
2028 to 2032	5,836,274	351,412	-	-
2032 to 2036	<u>115,000</u>	<u>756</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,189,768</u>	<u>\$ 1,776,715</u>	<u>\$ 191,330</u>	<u>\$ 4,052</u>

(b) General obligation indebtedness

On July 29, 2014, the Town issued \$4,065,000 in General Obligation Refunding Bonds, Series 2014, as authorized by a resolution adopted by the Board of Aldermen on June 24, 2014, with final approval granted by the Local Government Commission of North Carolina (the "LGC"). The proceeds from these bonds were used to refund the Town's previously outstanding General Obligation Street Bonds, Series 2004, as well as pay certain fees and expenses incurred in connection with the sale and issuance of the bonds.

All general obligation bonds are collateralized by the full faith, credit and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2022 consist of the following individual issues:

Town of Kernersville, North Carolina
Notes to Financial Statements

Refunding Bonds, Series 2014; principal due annually on May 1 beginning May 1, 2015 in installments of \$405,000 through 2023 with a final principal installment of \$420,000 due on May 1, 2024; interest due November 1 and May 1 beginning November 1, 2014 at 2.15% per annum.

\$ 825,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 405,000	\$ 17,738	\$ 422,738
2024	<u>420,000</u>	<u>9,030</u>	<u>429,030</u>
	<u>\$ 825,000</u>	<u>\$ 26,768</u>	<u>\$ 851,768</u>

The state of North Carolina limits the general obligation borrowing of the Town to 8% of its total appraised value of property subject to Town taxation. The Town's legal debt margin, as of June 30, 2022, is as follows:

Assessed value for taxation	<u>\$ 3,801,972,272</u>
Legal debt margin (8%)	<u>\$ 304,157,782</u>
Debt applicable to limitation:	
Outstanding general obligation debt	825,000
Revolving loan payable	1,200,000
Installment purchases	<u>19,381,100</u>
Total net debt applicable to limit	<u>21,406,100</u>
Remaining legal debt margin	<u>\$ 282,751,682</u>

(c) Revolving loan payable

On June 3, 2003, the Town was approved for a maximum loan amount of \$8,000,000 from the U.S. Environmental Protection Agency passed through the North Carolina Department of Environmental and Natural Resources under the Clean Water State Revolving Fund. The loan proceeds were used to assist in the relocation of the Deep River Pump Station, construction of the Twin Creek Pump Station, and construction of new force mains and interceptors ending at the Abbott's Creek Pump Station. The loan is repayable in equal principal repayments of \$400,000 plus interest at 2.42% through fiscal year ending 2025. The Town repaid \$400,000 during fiscal year ended June 30, 2022. The total amount outstanding at June 30, 2022 was \$1,200,000.

Annual debt service requirements to maturity for the Revolving Loan Payable are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 400,000	\$ 29,040	\$ 429,040
2024	400,000	19,360	419,360
2025	<u>400,000</u>	<u>9,680</u>	<u>409,680</u>
	<u>\$ 1,200,000</u>	<u>\$ 58,080</u>	<u>\$ 1,258,080</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

(d) Leases

The Town has entered into numerous agreements to lease building space, vehicles, and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The agreements to lease equipment have effective dates ranging from March 2009 to June 2022, The agreements range in term from three to six years and there are no variable payment components of the leases.

The agreement to lease a vehicle has an effective date of March 2018. The agreement term is for five years and there is no variable payment component of the lease.

The agreements to lease buildings have effective dates ranging from April 2019 to August 2020. The agreements range in term from three to five years and there are no variable payment components of the leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 167,430	\$ 10,097
2024	97,736	4,923
2025	42,586	2,468
2026	34,506	960
2027	<u>12,913</u>	<u>138</u>
Total	<u>\$ 355,171</u>	<u>\$ 18,586</u>

(e) Changes in long-term obligations

During the year ended June 30, 2022, the following changes occurred in long-term obligations:

	<u>Beginning Balance Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Portion of Balance</u>
Governmental activities:					
General obligation bonds	\$ 1,230,000	\$ -	\$ (405,000)	\$ 825,000	\$ 405,000
Revolving loan payable	1,600,000	-	(400,000)	1,200,000	400,000
Direct borrowing installment purchases	17,975,821	4,223,740	(3,009,793)	19,189,768	3,156,718
Lease liability	621,631	102,601	(369,061)	355,171	167,430
Compensated absences	1,586,114	1,825,020	(1,797,987)	1,613,147	1,613,147
Total pension liability (LGERS)	6,988,413	-	(4,211,872)	2,776,541	-
Total pension liability (LEO)	3,950,303	1,084,747	(1,103,557)	3,913,493	413,527
Total OPEB obligation	<u>12,513,673</u>	<u>441,351</u>	<u>(2,523,249)</u>	<u>10,431,775</u>	<u>-</u>
	<u>\$ 46,465,955</u>	<u>\$ 7,677,459</u>	<u>\$ (13,820,519)</u>	<u>\$ 40,304,895</u>	<u>\$ 6,155,822</u>
Business-type activities:					
Direct borrowing installment purchases	\$ 216,755	\$ 84,000	\$ (117,502)	\$ 183,253	\$ 91,684
Compensated absences	16,478	70,992	(47,954)	39,516	39,516
Total pension liability (LGERS)	259,567	-	(159,787)	99,780	-
Total OPEB obligation	<u>142,742</u>	<u>415,566</u>	<u>(92,950)</u>	<u>465,358</u>	<u>-</u>
	<u>\$ 635,542</u>	<u>\$ 570,558</u>	<u>\$ (418,193)</u>	<u>\$ 787,907</u>	<u>\$ 131,200</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

Compensated absences, total pension obligation, and total OPEB obligation have typically been liquidated in the General Fund.

C. Interfund balances and activity

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

From the General Fund to the Stormwater Fund for storm water fees.	\$ 213,724
From the General Fund to the Capital Reserve Fund for estimated development fees related to future capital projects.	14,000
From the General Fund to the Capital Reserve Fund for estimated fees related to future OPEB liabilities.	50,000
From the General Fund to the Emergency Telephone System Fund to offset the originally anticipated reimbursement from Forsyth County that was not received.	69,173
From the General Fund to the Recreation Department Capital Projects Fund to provide for operating expenses.	4,273,861
From the General Fund to the Kerner Mill Greenway Capital Projects Fund to provide for Kerner Mill Greenway expenses.	57,000
From the General Fund to the Capital Projects Fund to provide for Calebs Creek expenses.	223,470
From Law Enforcement Forfeitures Fund to the General Fund for reimbursement of debt payments made for emergency vehicle purchased for the Fund.	5,000
From Capital Reserve Fund to the General Fund for investment interest received.	2,200
From Capital Reserve Fund to the General Fund for investment interest received.	11,600
From Fire Department Facility Capital Project Fund to the General Fund for revenues received.	<u>44,660</u>
	<u>\$ 4,964,688</u>

D. Fund balance

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

Total fund balance - General Fund	\$ 22,747,043
Less:	
Prepaid assets	13,888
Stabilization by state statute	3,754,716
Capital equipment	<u>2,220,204</u>
Unrestricted fund balance	16,758,235
Working capital/fund balance policy	<u>8,640,169</u>
Remaining fund balance	<u>\$ 8,119,066</u>

Town of Kernersville, North Carolina
Notes to Financial Statements

The Town’s fund balance policy defines Unrestricted Fund Balance as all committed, assigned, and unassigned fund balances. The Town of Kernersville has adopted a minimum fund balance policy for the General Fund, which instructs management to conduct business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures.

3. Reconciliation of GAAP and Budget Basis Expenditures

The accompanying schedule reconciles certain General Fund transactions which are treated differently on Exhibit 4 (GAAP basis) and Exhibit 5 (budgetary basis). These differences relate to installment purchase transactions and the water/sewer bond indebtedness, and are summarized as follows:

	<u>Exhibit 4</u>	<u>Increase (Decrease)</u>		<u>Exhibit 5</u>
General government	\$ 5,884,558	\$ 821,200	(1)	\$ 6,705,758
Public safety	13,675,988	1,684,165	(1)	15,360,153
Public service	6,997,681	421,855	(1)	7,419,536
Culture and recreation	1,881,523	410,208	(1)	2,291,731
Debt service	-	1,255,199	(1)	1,255,199
Principal retirement	3,711,291	(3,711,291)	(1)	-
Interest and fiscal charges	<u>881,336</u>	<u>(881,336)</u>	(1)	<u>-</u>
Total	<u>\$ 33,032,377</u>	<u>\$ -</u>		<u>\$ 33,032,377</u>

(1) *Reclassification of installment purchases and note payments.*

4. Jointly Governed Organizations

The Town is a participating member of the Piedmont Triad Regional Council (PTRC), which is a voluntary association of local governments serving 73 member governments in a 12-county area. The PTRC was established to make and implement joint regional decisions by bringing together local elected officials on a regular basis to give them an opportunity to form working relationships and promote cooperation among the members. Each of the 73 participating governments appoint one member to the PTRC’s Board of Delegates. The Town paid membership fees of \$5,526 to the PTRC during the fiscal year ended June 30, 2022.

The Town, along with six other municipalities and Forsyth County, is also a participating member of the Triad Municipal Alcoholic Beverage Control Board. The Town of Kernersville appoints one member to the nine-member governing board. This organization was established under North Carolina Alcoholic Beverage laws to operate liquor stores in the Davie, Forsyth, Guilford and Yadkin County areas. North Carolina General Statutes require the ABC Board to distribute its net income to the participating municipalities. The distribution to the Town amounted to \$729,604 during the fiscal year ended June 30, 2022. Complete financial statements for the Triad Municipal ABC Board are available through their administrative offices at 3127 Starlight Drive, Winston-Salem, North Carolina 27107-4141.

5. Interlocal Agreement

An interlocal agreement between the Town and City/County Utility Commission (CCUC), which oversees the Winston-Salem/Forsyth County water and sewer system, was established in 1996. As a condition of the interlocal agreement, the Town transferred control and ownership of its pre-existing water and sewer systems and extensions to the CCUC, and the CCUC agreed to assume sole responsibility for planning, constructing, operating and maintaining the water and sewer systems. As part of the agreement, it was determined that the CCUC would charge the Town's sewer service customers an incremental rate to defray costs of repairs and continual improvements to the systems. The incremental rate was set to decline over the next ten years, allowing the overall rate charged to the Town's sewer customers to parallel those charged to similar customers. However, during July 2003, the incremental rate was frozen and a Rate Differential Account was established to accumulate the difference between the frozen rate and the previously scheduled rates. The funds accumulated within the Rate Differential Account were to be used by the Town for future water and sewer projects and debt service of the revolving loan payable (see Note II.B.7.c). The Rate Differential Account remains in the possession of the CCUC. As of June 30, 2022, the Rate Differential Account amounted to \$53,766. Under the terms of the most recent modification agreement in July 2016, the contract was extended in perpetuity.

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 monies.

6. Subsequent Events

Subsequent to year end, the Town of Kernersville entered into installment purchase agreements for the purchase of personal property (primarily vehicles and equipment) and improvements to Town properties.

Required Supplementary Financial Data

This section contains additional information required by generally accepted accounting principles.

- Schedule of Changes in Total Pension Liability for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Total Pension Liability as a Percentage of Covered Payroll for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Changes in the Total OPEB Liability and Related Ratios
- Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System

Town of Kernersville, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years
Required Supplementary Information

Exhibit A-1

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 3,950,303	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929	\$ 2,546,410
Service cost	180,675	117,857	105,525	114,611	95,531	101,702
Interest on the total pension liability	74,211	94,531	101,460	84,927	94,784	88,460
Changes in benefit terms	-	-	-	-	-	-
Differences between expensed and actual experience in the measurement of the total pension liability	42,711	(102,306)	(27,274)	177,543	53,053	-
Changes of assumptions or other inputs	(106,097)	1,019,622	89,241	(112,125)	160,733	(59,575)
Benefit payments	(210,310)	(158,262)	(154,922)	(175,396)	(168,759)	(137,068)
Other changes	-	-	-	-	-	-
Ending balance of the total pension liability**	<u>\$ 3,931,493</u>	<u>\$ 3,950,303</u>	<u>\$ 2,978,861</u>	<u>\$ 2,864,831</u>	<u>\$ 2,775,271</u>	<u>\$ 2,539,929</u>

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

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

Town of Kernersville, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
Last Six Fiscal Years
Required Supplementary Information

Exhibit A-2

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability**	\$ 3,931,493	\$ 3,950,303	\$ 2,978,861	\$ 2,864,831	\$ 2,775,271	\$ 2,539,929
Covered-employee payroll	3,728,949	3,782,774	3,683,897	3,765,492	3,628,855	3,661,815
Total pension liability as a percentage of covered-employee payroll	105.43%	104.43%	80.86%	76.08%	76.48%	69.36%

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

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

Town of Kernersville, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
Required Supplementary Information
Last Five Fiscal Years

Exhibit B-1

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability**					
Service cost	\$ 606,470	\$ 515,371	\$ 500,360	\$ 432,433	\$ 419,838
Interest	250,447	341,189	390,374	408,347	389,376
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(2,185,848)	-	-	-
Changes of assumptions	(2,176,581)	819,398	994,756	637,928	-
Benefit payments	<u>(439,618)</u>	<u>(485,939)</u>	<u>(406,709)</u>	<u>(303,576)</u>	<u>(291,974)</u>
Net change in total OPEB liability	(1,759,282)	(995,829)	1,478,781	1,175,132	517,240
Total OPEB liability, beginning	<u>12,656,415</u>	<u>13,652,244</u>	<u>12,173,463</u>	<u>10,998,331</u>	<u>10,481,091</u>
Total OPEB liability, ending	<u>\$ 10,897,133</u>	<u>\$ 12,656,415</u>	<u>\$ 13,652,244</u>	<u>\$ 12,173,463</u>	<u>\$ 10,998,331</u>
Covered-employee payroll	\$ 13,000,000	\$ 13,431,808	\$ 13,169,338	\$ 12,676,690	\$ 11,811,467
Total OPEB liability as a percentage of covered-employee payroll	83.82%	94.23%	103.67%	96.03%	93.12%

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

<u>Fiscal Year</u>	<u>Rate</u>
2022	3.69%
2021	1.92%
2020	2.45%
2019	3.13%
2018	3.62%

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

** The Town of Kernersville has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

Town of Kernersville, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Local Government Employees' Retirement System
Required Supplementary Information
Last Nine Fiscal Years*

Exhibit C-1

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Kernersville's proportion of the net pension liability (asset) (%)	0.18813%	0.20283%	0.20569%	0.21355%	0.21295%	0.21646%	0.22629%	0.22694%	.23710%
Kernersville's proportion of the net pension liability (asset) (\$)	\$ 2,876,321	\$ 7,247,980	\$ 5,617,233	\$ 5,066,136	\$ 3,253,286	\$ 4,594,006	\$ 1,015,579	\$ (1,338,370)	\$ 2,857,965
Kernersville's covered payroll	13,318,910	13,155,641	12,773,228	12,442,787	12,498,522	11,935,898	11,129,175	10,999,722	10,989,967
Kernersville's proportion of the net pension liability (asset) as a percentage of its covered payroll	21.60%	55.09%	43.98%	40.72%	26.03%	38.49%	9.13%	-12.17%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	95.51%	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

Town of Kernersville, North Carolina
Schedule of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Nine Fiscal Years*

Exhibit C-2

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,461,684	\$ 1,377,852	\$ 1,205,305	\$ 1,016,821	\$ 960,028	\$ 899,448	\$ 812,578	\$ 798,097	\$ 784,303
Contributions in relation to the contractually required contribution	<u>1,461,684</u>	<u>1,377,852</u>	<u>1,205,305</u>	<u>1,016,821</u>	<u>960,028</u>	<u>899,448</u>	<u>812,578</u>	<u>798,097</u>	<u>784,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Kernersville's covered payroll	\$ 12,669,610	\$ 13,318,910	\$ 13,155,641	\$ 12,773,228	\$ 12,442,787	\$ 12,498,522	\$ 11,935,898	\$ 11,129,175	\$ 10,999,722
Contributions as a percentage of covered payroll	11.54%	10.35%	9.16%	7.96%	7.72%	7.20%	6.81%	7.17%	7.13%

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

Supplementary Information

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2022

Schedule 1
 (4 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
General revenues:			
Ad valorem taxes:			
Current	\$ 20,318,211	\$ 21,064,899	\$ 746,688
Prior	83,750	146,837	63,087
Total	<u>20,401,961</u>	<u>21,211,736</u>	<u>809,775</u>
Other taxes and licenses:			
Local vehicle taxes and fees	109,800	117,874	8,074
Total	<u>109,800</u>	<u>117,874</u>	<u>8,074</u>
Unrestricted intergovernmental:			
Solid waste disposal tax	25,000	19,978	(5,022)
Utility sales tax	1,584,882	1,633,299	48,417
Telecommunications sales tax	142,412	95,697	(46,715)
Alcoholic beverage tax	866,775	834,765	(32,010)
Local option sales and use tax	7,620,900	7,944,112	323,212
Rental vehicle fees	74,500	74,589	89
Video programming	220,027	224,802	4,775
Total	<u>10,534,496</u>	<u>10,827,242</u>	<u>292,746</u>
Restricted intergovernmental:			
Powell Bill	748,190	748,199	9
State transportation grants	58,452	72,109	13,657
CCUC reimbursements	2,678,177	515,962	(2,162,215)
Governor's Highway Safety grants	24,000	-	(24,000)
Federal Department of Justice grants	45,327	41,882	(3,445)
Total	<u>3,554,146</u>	<u>1,378,152</u>	<u>(2,175,994)</u>
Penalties and interest:			
Penalties and interest	48,800	63,016	14,216
Investment earnings	15,395	28,504	13,109
Total	<u>64,195</u>	<u>91,520</u>	<u>27,325</u>
Contributions and donations			
	<u>3,094,896</u>	<u>3,045,356</u>	<u>(49,540)</u>
Other general revenues:			
Other	166,100	185,424	19,324
Total general revenues	<u>37,925,594</u>	<u>36,857,304</u>	<u>(1,068,290)</u>
Functionally related revenues:			
Use and rental fees:			
Recreation revenue	276,750	291,139	14,389
Lease revenue	-	77,362	77,362
Commercial industrial collection fees	355,300	351,153	(4,147)
Court facility fees	11,253	12,554	1,301
Rent on town property	490,741	379,125	(111,616)
Building inspections	577,569	695,248	117,679
Zoning fees	77,200	127,082	49,882
Recycling revenue	376,250	379,840	3,590
Yard waste cart fees and sales	17,500	17,880	380
Other functionally related fees	553,403	461,319	(92,084)
Total functionally related revenues	<u>2,735,966</u>	<u>2,792,702</u>	<u>56,736</u>
Total revenues	<u>40,661,560</u>	<u>39,650,006</u>	<u>(1,011,554)</u>

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2022

Schedule 1
 (4 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures:			
Current:			
General government:			
Governing body:			
Personnel services	\$ 35,358	\$ 35,036	
Operating and maintenance	355,480	346,971	
Other improvements	423,730	423,695	
Special appropriations	375,450	370,539	
Capital outlay	-	724,232	
Installment purchase agreement payments	271,210	270,809	
Total	<u>1,461,228</u>	<u>2,171,282</u>	<u>\$ (710,054)</u>
Administration:			
Personnel services	284,704	281,463	
Operating and maintenance	38,367	35,052	
Total	<u>323,071</u>	<u>316,515</u>	<u>6,556</u>
Finance:			
Personnel services	437,030	414,041	
Operating and maintenance	546,301	504,594	
Capital outlay	16,000	14,609	
Total	<u>999,331</u>	<u>933,244</u>	<u>66,087</u>
Information technology:			
Personnel services	437,728	402,510	
Operating and maintenance	358,226	326,130	
Installment purchase agreement payments	11,372	11,372	
Total	<u>807,326</u>	<u>740,012</u>	<u>67,314</u>
Planning and zoning:			
Personnel services	385,022	351,570	
Operating and maintenance	109,949	70,325	
Debt service	13,820	13,769	
Total	<u>508,791</u>	<u>435,664</u>	<u>73,127</u>
Human Resources:			
Personnel services	445,083	422,439	
Operating and maintenance	136,606	121,353	
Installment purchase agreement payments	4,820	4,790	
Total	<u>586,509</u>	<u>548,582</u>	<u>37,927</u>
General services:			
Personnel services	262,047	255,512	
Operating and maintenance	560,506	487,698	
Installment purchase agreement payments	554,500	534,229	
Capital outlay	295,000	283,020	
Total	<u>1,672,053</u>	<u>1,560,459</u>	<u>111,594</u>
Total general government	<u>6,358,309</u>	<u>6,705,758</u>	<u>(347,449)</u>
Public safety:			
Police department:			
Personnel services	5,435,164	5,618,086	
Operating and maintenance	875,861	740,546	
Special appropriations	11,000	11,144	
Capital outlay	866,036	724,974	
Installment purchase agreement payments	643,245	588,007	
Total	<u>7,831,306</u>	<u>7,682,757</u>	<u>148,549</u>

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2022

Schedule 1
 (4 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Fire department:			
Personnel services	\$ 4,915,774	\$ 4,669,590	
Operating and maintenance	1,247,836	835,519	
Special appropriations	121,200	121,200	
Capital outlay	1,219,430	396,680	
Installment purchase agreement payments	1,175,995	1,091,278	
Total	<u>8,680,235</u>	<u>7,114,267</u>	<u>\$ 1,565,968</u>
Inspections:			
Personnel services	504,557	445,997	
Operating and maintenance:	153,646	85,202	
Capital outlay	180,000	27,050	
Installment purchase agreement payments	4,890	4,880	
Total	<u>843,093</u>	<u>563,129</u>	<u>279,964</u>
Total public safety	<u>17,354,634</u>	<u>15,360,153</u>	<u>1,994,481</u>
Public service:			
Engineering department:			
Personnel services	17,100	14,145	
Operating and maintenance	689,835	208,177	
Capital outlay	1,113,230	470,810	
Total	<u>1,820,165</u>	<u>693,132</u>	<u>1,127,033</u>
Street department:			
Personnel services	794,800	757,085	
Operating and maintenance	1,950,930	1,218,661	
Capital outlay	90,000	74,053	
Installment purchase agreement payments	297,235	279,935	
Total	<u>3,132,965</u>	<u>2,329,734</u>	<u>803,231</u>
Sanitation department:			
Personnel services	872,453	738,830	
Operating and maintenance	1,245,872	750,387	
Capital outlay	801,561	622,043	
Installment purchase agreement payments	122,710	86,001	
Total	<u>3,042,596</u>	<u>2,197,261</u>	<u>845,335</u>
Public works administration:			
Personnel services	405,781	395,338	
Operating and maintenance	41,830	33,384	
Installment purchase agreement payments	45,770	45,752	
Total	<u>493,381</u>	<u>474,474</u>	<u>18,907</u>
Central maintenance:			
Personnel services	607,089	600,501	
Operating and maintenance	1,224,136	1,114,267	
Installment purchase agreement payments	10,200	10,167	
Total	<u>1,841,425</u>	<u>1,724,935</u>	<u>116,490</u>
Total public service	<u>10,330,532</u>	<u>7,419,536</u>	<u>2,910,996</u>

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 Year Ended June 30, 2022

Schedule 1
 (4 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and recreational:			
Recreation department:			
Personnel services	\$ 1,030,499	\$ 928,989	
Operating and maintenance	984,233	516,188	
Capital outlay	3,349,600	436,346	
Installment purchase agreement payments	609,530	410,208	
Total	<u>5,973,862</u>	<u>2,291,731</u>	<u>\$ 3,682,131</u>
Total cultural and recreational	<u>5,973,862</u>	<u>2,291,731</u>	<u>3,682,131</u>
Debt service:			
Principal retirement	805,000	1,174,061	(369,061)
Interest and fiscal charges	65,165	81,138	(15,973)
Total debt service	<u>870,165</u>	<u>1,255,199</u>	<u>(385,034)</u>
Total expenditures	<u>40,887,502</u>	<u>33,032,377</u>	<u>7,855,125</u>
Revenues over (under) expenditures	<u>(225,942)</u>	<u>6,617,629</u>	<u>6,843,571</u>
Other financing sources (uses):			
Transfers from other funds:			
Law Enforcement Forfeitures Fund	5,000	5,000	-
Capital Reserve Fund	12,600	13,800	1,200
Ordinance Fund	44,661	44,661	-
Transfers to other funds:			
Emergency Telephone System Fund	(69,173)	(69,173)	-
Capital Reserve Fund	(287,470)	(287,470)	-
Stormwater Fund	(213,724)	(213,724)	-
Kerner Mill Greenway Capital Project Ordinance Fund	(57,000)	(57,000)	-
Recreation Department Capital Projects Ordinance Fund	<u>(4,273,861)</u>	<u>(4,273,861)</u>	<u>-</u>
Total net transfers	<u>(4,838,967)</u>	<u>(4,837,767)</u>	<u>1,200</u>
Installment purchase obligations issued	3,953,740	3,953,740	-
Lease liabilities issued	-	724,232	724,232
Sale of capital assets	65,790	106,337	40,547
Total other financing uses	<u>(819,437)</u>	<u>(53,458)</u>	<u>765,979</u>
Revenues and other financing sources under expenditures and other financing uses	<u>(1,045,379)</u>	<u>6,564,171</u>	<u>7,609,550</u>
Appropriated fund balance	<u>3,024,749</u>	<u>-</u>	<u>(3,024,749)</u>
Revenues, other financing sources and appropriated fund balance under expenditures and other financing uses	<u>\$ 1,979,370</u>	<u>6,564,171</u>	<u>\$ 4,584,801</u>
Fund balance, beginning		<u>14,783,984</u>	
Fund balance, ending		<u>\$ 21,348,155</u>	

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Capital Reserve Fund
 Year Ended June 30, 2022

Schedule 2

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Investment earnings	\$ 1,000	\$ 1,000	\$ 2,200	\$ 1,200
Expenditures				
Capital reserve expenditures	1,398,886	1,398,886	-	1,398,886
Revenues over (under) expenditures	(1,397,886)	(1,397,886)	2,200	1,400,086
Other financing sources (uses)				
Transfers in:				
General Fund	287,470	287,470	287,470	-
Transfers out:				
General Fund	(12,600)	(12,600)	(13,800)	(1,200)
Total other financing sources (uses)	274,870	274,870	273,670	(1,200)
Revenues and other financing sources over (under) expenditures and other financing uses	(1,123,016)	(1,123,016)	275,870	1,398,886
Appropriated fund balance	1,123,016	1,123,016	-	(1,123,016)
Revenues and appropriated fund balance over expenditures and other financing uses	\$ -	\$ -	275,870	\$ 275,870
Fund balance, beginning			1,123,018	
Fund balance, ending			\$ 1,398,888	

Town of Kernersville, North Carolina
Special Revenue Fund - American Rescue Plan Act
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2022

Schedule 3

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental:					
Grant revenue	\$ 3,929,539	\$ -	\$ 3,929,539	\$ 3,929,539	\$ -
Investment earnings	420	-	916	916	496
Total revenues	<u>3,929,959</u>	<u>-</u>	<u>3,930,455</u>	<u>3,930,455</u>	<u>496</u>
Expenditures:					
General government:					
American Rescue Plan Act expenditures	3,929,959	-	3,929,955	3,929,955	4
Total expenditures	<u>3,929,959</u>	<u>-</u>	<u>3,929,955</u>	<u>3,929,955</u>	<u>4</u>
Revenues over expenditures	-	-	500	500	500
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	500	<u>\$ 500</u>	<u>\$ 500</u>
Fund balance, beginning			<u>-</u>		
Fund balance, ending			<u>\$ 500</u>		

Town of Kernersville, North Carolina
Schedule of Revenues, Expenditures and Changes in Fund Balance
Project Authorization and Actual
Recreation Facility
Capital Projects Funds
Recreation Facility Capital Projects Ordinance Fund
From Inception and for the Year Ended June 30, 2022

Schedule 4

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted					
intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	26	4,764	4,790	4,790
Total revenues	<u>-</u>	<u>26</u>	<u>4,764</u>	<u>4,790</u>	<u>4,790</u>
Expenditures					
Cultural and recreational:					
Other operating expenditures	1,036,089	80,518	619,282	699,800	336,289
Capital outlay	<u>3,848,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,848,573</u>
Total expenditures	<u>4,884,662</u>	<u>80,518</u>	<u>619,282</u>	<u>699,800</u>	<u>4,184,862</u>
Revenues under expenditures	<u>(4,884,662)</u>	<u>(80,492)</u>	<u>(614,518)</u>	<u>(695,010)</u>	<u>4,189,652</u>
Other financing sources (uses)					
Transfers in:					
General Fund	4,273,861	-	4,273,861	4,273,861	-
Capital Reserve Fund	<u>1,473,839</u>	<u>1,473,839</u>	<u>-</u>	<u>1,473,839</u>	<u>-</u>
Total other financing sources	<u>1,473,839</u>	<u>1,473,839</u>	<u>4,273,861</u>	<u>1,473,839</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(3,410,823)	1,393,347	3,659,343	778,829	4,189,652
Appropriated fund balance	<u>3,410,823</u>	<u>(1,393,347)</u>	<u>-</u>	<u>(1,393,347)</u>	<u>(4,804,170)</u>
Excess of revenues, other financing sources, and appropriated fund balance over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	3,659,343	<u>\$ (614,518)</u>	<u>\$ (614,518)</u>
Fund balance, beginning			<u>1,393,347</u>		
Fund balance, ending			<u>\$ 5,052,690</u>		

Supplementary Information

Non-Major Governmental Funds

Town of Kernersville, North Carolina
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2022

Schedule 5
 (2 pages)

	Non-Major Special Revenue Funds			
	Occupancy Tax Fund	Emergency Telephone System Fund	Contributions Fund	Law Enforcement Forfeitures Fund
ASSETS				
Cash and cash equivalents	\$ 138,262	\$ 138,709	\$ 86,334	\$ 559,336
Restricted cash	-	-	-	1,394
Due from other governments	17,784	-	-	-
Total assets	<u>\$ 156,046</u>	<u>\$ 138,709</u>	<u>\$ 86,334</u>	<u>\$ 560,730</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 2,625	\$ 6,058	\$ 203,195
Total liabilities	<u>-</u>	<u>2,625</u>	<u>6,058</u>	<u>203,195</u>
Fund balances:				
Restricted:				
Stabilization by state statute	17,784	-	-	-
Tourism	138,262	-	-	-
Public safety	-	136,084	80,276	357,535
Committed:				
Capital projects	-	-	-	-
Total fund balances	<u>156,046</u>	<u>136,084</u>	<u>80,276</u>	<u>357,535</u>
Total liabilities and fund balances	<u>\$ 156,046</u>	<u>\$ 138,709</u>	<u>\$ 86,334</u>	<u>\$ 560,730</u>

Town of Kernersville, North Carolina
 Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2021

Schedule 5
 (2 pages)

	Non-Major Capital Project Funds		Total Non-Major Governmental Funds
	Kerner Mill Greenway Capital Projects Ordinance Fund	Fire Department Facility Capital Projects Ordinance Fund	
ASSETS			
Cash and cash equivalents	\$ 1,877,245	\$ -	\$ 2,799,886
Restricted cash	-	-	1,394
Due from other governments	-	-	17,784
Total assets	<u>\$ 1,877,245</u>	<u>\$ -</u>	<u>\$ 2,819,064</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 6,674	\$ -	\$ 218,552
Total liabilities	<u>6,674</u>	<u>-</u>	<u>218,552</u>
Fund balances:			
Restricted:			
Stabilization by state statute	-	-	17,784
Tourism	-	-	138,262
Public safety	-	-	573,895
Committed:			
Capital projects	<u>1,870,571</u>	<u>-</u>	<u>1,870,571</u>
Total fund balances	<u>1,870,571</u>	<u>-</u>	<u>2,600,512</u>
Total liabilities and fund balances	<u>\$ 1,877,245</u>	<u>\$ -</u>	<u>\$ 2,819,064</u>

Town of Kernersville, North Carolina
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-Major Governmental Funds
Year Ended June 30, 2022

Schedule 6
(2 pages)

	Non-Major Special Revenue Funds			
	Occupancy Tax Fund	Emergency Telephone System Fund	Contributions Fund	Law Enforcement Forfeitures Fund
Revenues				
Other taxes and licenses	\$ 202,209	\$ -	\$ -	\$ -
Restricted intergovernmental	-	11,642	-	77,496
Investment earnings	153	182	80	558
Contributions and donations	-	-	16,118	-
Total revenues	<u>202,362</u>	<u>11,824</u>	<u>16,198</u>	<u>78,054</u>
Expenditures				
Capital outlay	-	-	-	-
Other operating expenses	-	-	-	-
Public safety	-	67,960	16,118	219,519
Cultural and recreational	89,500	-	-	-
Debt service:				
Principal	-	-	-	27,867
Total expenditures	<u>89,500</u>	<u>67,960</u>	<u>16,118</u>	<u>247,386</u>
Revenues over (under) expenditures	<u>112,862</u>	<u>(56,136)</u>	<u>80</u>	<u>(169,332)</u>
Other financing sources (uses)				
Transfers in:				
General Fund	-	69,173	-	-
Transfers out:				
General Fund	-	-	-	(5,000)
Installment purchase obligations issued	-	-	-	270,000
Total other financing sources (uses)	<u>-</u>	<u>69,173</u>	<u>-</u>	<u>265,000</u>
Revenues and other financing sources over (under) expenditures and other financing uses	112,862	13,037	80	95,668
Fund balances, beginning	<u>43,184</u>	<u>123,047</u>	<u>80,196</u>	<u>261,867</u>
Fund balances, ending	<u>\$ 156,046</u>	<u>\$ 136,084</u>	<u>\$ 80,276</u>	<u>\$ 357,535</u>

Town of Kernersville, North Carolina
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - Non-Major Governmental Funds
 Year Ended June 30, 2022

Schedule 6
 (2 pages)

	<u>Non-Major Capital Project Funds</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Kerner Mill Greenway Capital Projects Ordinance Fund</u>	<u>Fire Department Facility Capital Projects Ordinance Fund</u>	
Revenues			
Other taxes and licenses	\$ -	\$ -	\$ 202,209
Restricted intergovernmental	165,810	-	254,948
Investment earnings	2,768	-	3,741
Contributions and donations	-	-	16,118
	<u>168,578</u>	<u>-</u>	<u>477,016</u>
Expenditures			
Capital outlay	528,246	-	528,246
Other operating expenses	183,192	-	183,192
Public safety	-	-	303,597
Cultural and recreational	-	-	89,500
Debt service:			
Principal	-	-	27,867
	<u>711,438</u>	<u>-</u>	<u>1,132,402</u>
Revenues over (under) expenditures	<u>(542,860)</u>	<u>-</u>	<u>(655,386)</u>
Other financing sources (uses)			
Transfers in:			
General Fund	57,000	-	126,173
Transfers out:			
General Fund	-	(44,661)	(49,661)
Installment purchase obligations issued			<u>270,000</u>
	<u>57,000</u>	<u>(44,661)</u>	<u>346,512</u>
Revenues and other financing sources over (under) expenditures and other financing uses	(485,860)	(44,661)	(308,874)
Fund balances, beginning	<u>2,356,431</u>	<u>44,661</u>	<u>2,909,386</u>
Fund balances, ending	<u>\$ 1,870,571</u>	<u>\$ -</u>	<u>\$ 2,600,512</u>

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Occupancy Tax Fund
 Year Ended June 30, 2022

Schedule 7

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Occupancy tax proceeds	\$ 92,450	\$ 92,450	\$ 202,209	\$ 109,759
Investment earnings	50	50	153	103
Total revenues	92,500	92,500	202,362	109,862
Expenditures				
Cultural and recreational	92,500	92,500	89,500	3,000
Revenues over (under) expenditures	-	-	112,862	112,862
Revenues over (under) expenditures and other financing uses	\$ -	\$ -	112,862	\$ 112,862
Fund balance, beginning			43,184	
Fund balance, ending			\$ 156,046	

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Emergency Telephone System Fund
 Year Ended June 30, 2022

Schedule 8

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Restricted intergovernmental	\$ 11,642	\$ 11,642	\$ 11,642	\$ -
Investment earnings	25	25	182	157
Total revenues	11,667	11,667	11,824	157
Expenditures				
Public safety:				
Other operating expenditures			67,960	
Total expenditures	80,840	80,840	67,960	12,880
Revenues under expenditures	(69,173)	(69,173)	(56,136)	13,037
Other financing sources				
Transfers in:				
General Fund	69,173	69,173	69,173	-
Revenues and other financing sources over expenditures	\$ -	\$ -	13,037	\$ 13,037
Fund balance, beginning			123,047	
Fund balance, ending			\$ 136,084	

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Contributions Fund
 Year Ended June 30, 2022

Schedule 9

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues:				
Contributions and donations			\$ 16,118	
Total revenues	\$ 31,614	\$ 29,390	16,198	\$ (13,192)
Expenditures:				
Public safety			16,118	
Total expenditures	\$ 30,064	\$ 30,064	16,118	13,946
Revenues under expenditures	1,550	(674)	80	754
Appropriated fund balance	2,224	2,224	-	(2,224)
Revenues and appropriated fund balance under expenditures	<u>\$ 3,774</u>	<u>\$ 1,550</u>	80	<u>\$ (1,470)</u>
Fund balance, beginning			80,196	
Fund balance, ending			<u>\$ 80,276</u>	

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Law Enforcement Forfeitures Fund
 Year Ended June 30, 2022

Schedule 10

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Restricted intergovernmental Investment earnings			\$ 77,496 558	
Total revenues	\$ 65,392	\$ 65,392	78,054	\$ 12,662
Expenditures				
Public safety			219,519	
Debt service: Principal retirement			27,867	
Total expenditures	351,797	351,797	247,386	104,411
Revenues under expenditures	(286,405)	(286,405)	(169,332)	117,073
Other financing sources (uses)				
Transfers out:				
General Fund	(5,000)	(5,000)	(5,000)	-
Installment purchase obligations issued	-	-	270,000	-
Total other financing sources (uses)	(5,000)	(5,000)	265,000	-
Revenues over (under) expenditures and other financing uses	(291,405)	(291,405)	95,668	117,073
Appropriated fund balance	39,758	39,758	-	(39,758)
Revenues and appropriated fund balance over (under) expenditures and other financing uses	<u>\$ (251,647)</u>	<u>\$ (251,647)</u>	95,668	<u>\$ 77,315</u>
Fund balance, beginning			261,867	
Fund balance, ending			<u>\$ 357,535</u>	

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Project Authorization and Actual
 Fire Department Facility
 Capital Projects Funds
 Facility Capital Projects Ordinance Fund
 From Inception and for the Year Ended June 30, 2022

Schedule 11

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Contributions	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Investment earnings	-	1,983	-	1,983	1,983
Total revenues	<u>25,000</u>	<u>26,983</u>	<u>-</u>	<u>26,983</u>	<u>1,983</u>
Expenditures					
Public safety:					
Departmental supplies	15,000	14,959	-	14,959	41
Capital outlay	6,900,000	6,909,404	-	6,909,404	(9,404)
Debt service:					
Principal retirement	805,000	805,000	-	805,000	-
Interest and other charges	353,735	301,694	-	301,694	52,041
Total expenditures	<u>8,073,735</u>	<u>8,031,057</u>	<u>-</u>	<u>8,031,057</u>	<u>42,678</u>
Revenues under expenditures	<u>(8,048,735)</u>	<u>(8,004,074)</u>	<u>-</u>	<u>(8,004,074)</u>	<u>44,661</u>
Other financing sources (uses)					
Transfers from (to):					
General Fund	1,158,735	1,148,735	(44,661)	1,104,074	(54,661)
Installment purchase obligations issued	6,900,000	6,900,000	-	6,900,000	-
Total other financing sources (uses)	<u>8,058,735</u>	<u>8,048,735</u>	<u>(44,661)</u>	<u>8,004,074</u>	<u>(54,661)</u>
Revenues and other financing sources (uses) over (under) expenditures and other financing sources	<u>\$ 10,000</u>	<u>\$ 44,661</u>	<u>(44,661)</u>	<u>\$ -</u>	<u>\$ (10,000)</u>
Fund balance, beginning			<u>44,661</u>		
Fund balance, ending			<u>\$ -</u>		

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Project Authorization and Actual
 Kerner Mill Greenway
 Capital Projects Funds
 Greenway Capital Projects Ordinance Fund
 From Inception and for the Year Ended June 30, 2022

Schedule 12

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	<u>Variance Positive (Negative)</u>
Revenues					
Restricted					
intergovernmental	\$ 2,095,063	\$ -	\$ 165,810	\$ 165,810	\$ (1,929,253)
Investment earnings	-	385	2,768	3,153	3,153
Total revenues	<u>2,095,063</u>	<u>385</u>	<u>168,578</u>	<u>168,963</u>	<u>(1,926,100)</u>
Expenditures					
Cultural and recreational:					
Other operating expenditures	1,243,578	263,727	183,192	446,919	796,659
Capital outlay	<u>1,729,675</u>	<u>86,480</u>	<u>528,246</u>	<u>614,726</u>	<u>1,114,949</u>
Total expenditures	<u>2,973,253</u>	<u>350,207</u>	<u>711,438</u>	<u>1,061,645</u>	<u>1,911,608</u>
Revenues under expenditures	<u>(878,190)</u>	<u>(349,822)</u>	<u>(542,860)</u>	<u>(892,682)</u>	<u>(14,492)</u>
Other financing sources (uses)					
Transfers in:					
General Fund	2,867,253	2,810,253	57,000	2,867,253	-
Transfers out:					
General Fund	<u>(1,885,063)</u>	<u>(104,000)</u>	<u>-</u>	<u>(104,000)</u>	<u>1,781,063</u>
Total other financing sources (uses)	<u>982,190</u>	<u>2,706,253</u>	<u>57,000</u>	<u>2,763,253</u>	<u>1,781,063</u>
Revenues and other financing sources over (under) expenditures and other financing sources (uses)	104,000	2,356,431	(485,860)	1,870,571	1,766,571
Appropriated fund balance	<u>(104,000)</u>	<u>(2,356,431)</u>	<u>-</u>	<u>(2,356,431)</u>	<u>(2,252,431)</u>
Excess of revenues, other financing sources, and appropriated fund balance under expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>(485,860)</u>	<u>\$ (485,860)</u>	<u>\$ (485,860)</u>
Fund balance, beginning			<u>2,356,431</u>		
Fund balance, ending			<u>\$ 1,870,571</u>		

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP)
 Stormwater Enterprise Fund
 Year Ended June 30, 2021

Schedule 13
 (2 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Charges for services		\$ 1,205,234	
Investment earnings		2,135	
		<u> </u>	
Total revenues	<u>\$ 1,419,957</u>	<u>1,207,369</u>	<u>\$ (212,588)</u>
Expenditures			
Personnel services		672,577	
Operating and maintenance		344,015	
Capital outlay		78,233	
Debt service:			
Principal retirement		114,256	
		<u> </u>	
Total expenditures	<u>1,717,681</u>	<u>1,209,081</u>	<u>508,600</u>
Revenues under expenditures	<u>(297,724)</u>	<u>(1,712)</u>	<u>296,012</u>
Other financing sources			
Transfers in:			
General Fund	213,724	213,724	-
Installment purchase obligations issued	<u>84,000</u>	<u>84,000</u>	<u>-</u>
Total other financing sources	<u>297,724</u>	<u>297,724</u>	<u>-</u>
Revenues, other financing sources over expenditures	<u>\$ -</u>	<u>296,012</u>	<u>\$ 296,012</u>

Town of Kernersville, North Carolina
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Non-GAAP)
 Stormwater Enterprise Fund
 Year Ended June 30, 2021

Schedule 13
 (2 pages)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		\$ 78,233	
Principal retirement		114,256	
Installment purchase obligations issued		(84,000)	
Depreciation		(193,829)	
Increase in accounts receivable		1,563	
Decrease in accrued interest payable		243	
Decrease in accrued vacation pay		(23,036)	
Increase in deferred outflows of resources - pensions		7,016	
Decrease in net pension liability		159,787	
Decrease in deferred inflows of resources - pensions		(148,354)	
Decrease in deferred outflows of resources - OPEB		450,877	
Increase in OPEB liability		(322,616)	
Increase in deferred inflows of resources - OPEB		<u>(111,394)</u>	
Total reconciling items		<u>(71,254)</u>	
Change in net position		<u>\$ 224,758</u>	

Town of Kernersville, North Carolina
 Schedule of Revenues and Expenditures
 Financial Plan and Actual (Non-GAAP)
 Worker's Comp Self-Insurance Fund
 Year Ended June 30, 2022

Schedule 14

	<u>Financial Plan</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating revenues:			
Charges for services	\$ 305,661	\$ 310,661	\$ 5,000
Nonoperating revenues:			
Investment earnings	<u>300</u>	<u>1,387</u>	<u>1,087</u>
Total revenues	<u>305,961</u>	<u>312,048</u>	<u>6,087</u>
Expenditures			
Stop-loss coverage		71,011	
Administration		<u>9,951</u>	
Total expenditures	<u>305,961</u>	<u>80,962</u>	<u>224,999</u>
Revenues over (under) expenditures	<u>\$ -</u>	231,086	<u>\$ 231,086</u>
Reconciliation from financial plan basis (modified accrual) to full accrual:			
Reconciling items:			
Increase in claims reserve		<u>181,737</u>	
Change in net position		<u>\$ 412,823</u>	

Supplementary Information

Other Schedules

This section contains additional information on property taxes.

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

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

Schedule 15

<u>Fiscal Year</u>	<u>Uncollected Balance July 1, 2021</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2022</u>
2021 - 22	\$ -	\$ 21,750,739	\$ 21,624,894	\$ 125,845
2020 - 21	131,237	-	69,972	61,265
2019 - 20	36,514	-	18,271	18,243
2018 - 19	28,917	-	6,021	22,896
2017 - 18	17,597	-	6,176	11,421
2016 - 17	18,924	-	5,365	13,559
2015 - 16	12,936	-	5,070	7,866
2014 - 15	13,234	-	5,081	8,153
2013 - 14	15,272	-	5,007	10,265
2012 - 13	14,697	-	3,253	11,444
2011 - 12	12,036	-	12,036	-
	<u>\$ 301,364</u>	<u>\$ 21,750,739</u>	<u>\$ 21,761,146</u>	290,957
Less allowance for uncollectible accounts: General Fund				<u>(73,000)</u>
				<u>\$ 217,957</u>
Reconciliation of collections and credits with revenues:				
Ad valorem taxes - General Fund				\$ 21,211,736
Local vehicle taxes and fees - General Fund				117,874
Recycling revenue - General Fund				379,840
Refunds				11,563
Releases and other adjustments				40,133
Amounts written off for tax year 2011-2012 per statute of limitations				<u>-</u>
				<u>\$ 21,761,146</u>

Town of Kernersville, North Carolina
 Analysis of Current Tax Levy
 June 30, 2022

Schedule 16

	Town-Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 3,801,972,272	\$ 0.5590	\$ 21,253,025	\$ 19,485,521	\$ 1,767,504
Recycling fees	-		379,840	379,840	-
Vehicle tag fees	-		117,874	4,144	113,730
Total property valuation	<u>\$ 3,801,972,272</u>				
Total levy			21,750,739	19,869,505	1,881,234
Less releases and deductions			-	-	-
Net levy			21,750,739	19,869,505	1,881,234
Uncollected taxes at June 30, 2022			(125,845)	(125,845)	-
Current year's taxes collected			<u>\$ 21,624,894</u>	<u>\$ 19,743,660</u>	<u>\$ 1,881,234</u>
Current levy collection percentage			<u>99.42%</u>	<u>99.37%</u>	<u>100.00%</u>

This page left blank intentionally.

Supplementary Information

Statistical Section

This part of the Town of Kernersville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the Town's overall financial health.

	<u>Page</u>
Financial Trends Information These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	101
Revenue Capacity Information These schedules contain information to help the reader assess the Town's most significant local revenue sources, property taxes and water and sewer charges.	113
Debt Capacity Information These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	121
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	129
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	135

Sources : *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.*

This page left blank intentionally.

Financial Trends Information

Town of Kernersville, North Carolina
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities:				
Net investment in capital assets	\$ 119,209,937	\$ 120,711,678	\$ 120,138,675	\$ 128,965,379
Restricted	1,618,871	2,405,379	2,612,352	3,831,336
Unrestricted	<u>733,451</u>	<u>(2,935,846)</u>	<u>(2,382,398)</u>	<u>(3,576,780)</u>
Total governmental activities net position	<u>121,562,259</u>	<u>120,181,211</u>	<u>120,368,629</u>	<u>129,219,935</u>
Business-type activities:				
Net investment in capital assets	238,723	213,296	642,737	1,097,645
Unrestricted	<u>901,352</u>	<u>1,136,080</u>	<u>1,019,185</u>	<u>862,544</u>
Total business-type activities net position	<u>1,140,075</u>	<u>1,349,376</u>	<u>1,661,922</u>	<u>1,960,189</u>
Primary government:				
Net investment in capital assets	119,448,660	120,924,974	120,781,412	130,063,024
Restricted	1,618,871	2,405,379	2,612,352	3,831,336
Unrestricted	<u>1,634,803</u>	<u>(1,799,766)</u>	<u>(1,363,213)</u>	<u>(2,714,236)</u>
Total primary government net position	<u>\$ 122,702,334</u>	<u>\$ 121,530,587</u>	<u>\$ 122,030,551</u>	<u>\$ 131,180,124</u>

Source: Statement of Net Position (Exhibit 1 in Basic Financial Statements)

Town of Kernersville, North Carolina
 Net Position by Component
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Table 1

2017	2018	2019	2020	2021	2022
\$ 133,480,840	\$ 135,141,225	\$ 132,300,481	\$ 135,216,032	\$ 135,303,304	\$ 141,685,568
2,915,828	2,974,849	3,562,507	3,101,750	5,734,079	4,484,657
(3,941,027)	(8,037,105)	(5,847,148)	(7,193,357)	(8,463,987)	989,922
132,455,641	130,078,969	130,015,840	131,124,425	132,573,396	147,160,147
778,429	733,649	935,507	871,027	1,112,649	905,066
1,452,468	1,226,959	514,782	799,807	446,398	878,739
2,230,897	1,960,608	1,450,289	1,670,834	1,559,047	1,783,805
134,259,269	135,874,874	133,235,988	136,087,059	136,415,953	142,590,634
2,915,828	2,974,849	3,562,507	3,101,750	5,734,079	4,484,657
(2,488,559)	(6,810,146)	(5,332,366)	(6,393,550)	(8,017,589)	1,868,661
\$ 134,686,538	\$ 132,039,577	\$ 131,466,129	\$ 132,795,259	\$ 134,132,443	\$ 148,943,952

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental activities:				
General government	\$ 4,168,945	\$ 3,494,897	\$ 3,629,864	\$ 4,682,077
Public safety	11,782,579	13,008,107	12,661,556	13,322,213
Public service	8,575,454	8,187,772	7,656,776	7,682,255
Cultural and recreation	1,606,921	1,603,499	1,958,985	1,935,181
Interest on long-term debt	377,849	354,509	303,089	210,542
Total governmental activities expenses	<u>26,511,748</u>	<u>26,648,784</u>	<u>26,210,270</u>	<u>27,832,268</u>
Business-type activities:				
Stormwater management	695,750	627,722	413,440	957,626
Total business-type activities expenses	<u>695,750</u>	<u>627,722</u>	<u>413,440</u>	<u>957,626</u>
Total primary government expenses	<u>27,207,498</u>	<u>27,276,506</u>	<u>26,623,710</u>	<u>28,789,894</u>
Program revenues				
Governmental activities:				
Charges for services:				
General government	335,490	435,885	411,302	537,176
Public safety	157,045	126,997	97,262	126,767
Public service	1,467,440	1,526,801	1,550,923	1,748,790
Cultural and recreation	282,126	308,777	382,647	381,412
Operating grants and contributions	2,930,324	2,324,088	1,805,122	2,262,642
Capital grants and contributions	162,253	3,070,242	1,349,246	10,264,508
Total governmental activities program revenues	<u>5,334,678</u>	<u>7,792,790</u>	<u>5,596,502</u>	<u>15,321,295</u>
Business-type activities:				
Charges for services:	988,820	1,013,509	1,011,196	1,037,037
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>988,820</u>	<u>1,013,509</u>	<u>1,011,196</u>	<u>1,037,037</u>
Total primary government program revenues	<u>6,323,498</u>	<u>8,806,299</u>	<u>6,607,698</u>	<u>16,358,332</u>
Net expenses	<u>\$ (20,884,000)</u>	<u>\$ (18,470,207)</u>	<u>\$ (20,016,012)</u>	<u>\$ (12,431,562)</u>

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(4 pages)

		Fiscal Year									
		2017	2018	2019	2020	2021	2022				
\$	4,630,977	\$	4,547,895	\$	4,394,732	\$	4,646,851	\$	6,445,203	\$	6,530,255
	14,815,390		15,078,648		15,681,232		17,581,895		18,387,376		17,127,838
	8,980,651		9,039,660		9,974,585		10,507,974		8,986,468		9,115,678
	2,014,319		2,061,807		2,120,218		2,500,759		2,476,422		3,121,925
	205,476		497,994		626,954		570,962		484,285		875,440
	<u>30,646,813</u>		<u>31,226,004</u>		<u>32,797,721</u>		<u>35,808,441</u>		<u>36,779,754</u>		<u>36,771,136</u>
	1,020,285		1,460,104		1,876,068		1,626,276		1,519,176		1,197,898
	<u>1,020,285</u>		<u>1,460,104</u>		<u>1,876,068</u>		<u>1,626,276</u>		<u>1,519,176</u>		<u>1,197,898</u>
	<u>31,667,098</u>		<u>32,686,108</u>		<u>34,673,789</u>		<u>37,434,717</u>		<u>38,298,930</u>		<u>37,969,034</u>
	489,370		409,277		568,974		490,029		554,013		518,809
	110,179		133,629		204,746		298,469		179,565		240,261
	1,975,833		1,879,476		2,180,930		1,994,100		2,213,929		1,731,755
	363,926		383,545		357,568		197,246		178,498		291,139
	2,500,775		2,026,108		2,282,677		1,957,603		2,560,738		4,117,241
	<u>6,653,970</u>		<u>996,330</u>		<u>277,085</u>		<u>170,205</u>		<u>2,078,222</u>		<u>588,071</u>
	<u>12,094,053</u>		<u>5,828,365</u>		<u>5,871,980</u>		<u>5,107,652</u>		<u>7,764,965</u>		<u>7,487,276</u>
	1,056,296		1,074,193		1,115,025		1,162,898		1,174,893		1,206,797
	-		-		-		442,924		-		-
	<u>1,056,296</u>		<u>1,074,193</u>		<u>1,115,025</u>		<u>1,605,822</u>		<u>1,174,893</u>		<u>1,206,797</u>
	<u>13,150,349</u>		<u>6,902,558</u>		<u>6,987,005</u>		<u>6,713,474</u>		<u>8,939,858</u>		<u>8,694,073</u>
\$	<u>(18,516,749)</u>	\$	<u>(25,783,550)</u>	\$	<u>(27,686,784)</u>	\$	<u>(30,721,243)</u>	\$	<u>(29,359,072)</u>	\$	<u>(29,274,961)</u>

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
General revenues and other in net position				
Governmental activities:				
Taxes				
Property taxes	\$ 12,883,905	\$ 13,097,529	\$ 13,493,647	\$ 14,061,544
Other taxes	247,477	218,755	238,417	253,740
Unrestricted intergovernmental revenue	6,194,669	6,036,044	6,606,027	7,095,351
Investments earnings, unrestricted	12,787	8,218	7,179	24,449
Transfers in (out)	131,789	135,102	285,331	(216,579)
Gain (loss) on disposal of capital assets	(115,866)	3,203	111,089	143,774
Miscellaneous	49,774	8,283	59,496	-
Total governmental activities	<u>19,404,535</u>	<u>19,507,134</u>	<u>20,801,186</u>	<u>21,362,279</u>
Business-type activities:				
Unrestricted intergovernmental revenue	-	-	-	-
Investments earnings, unrestricted	353	90	121	2,277
Transfers in (out)	(131,789)	(135,102)	(285,331)	216,579
Miscellaneous	-	-	-	-
Total business-type activities	<u>(131,436)</u>	<u>(135,012)</u>	<u>(285,210)</u>	<u>218,856</u>
Total primary government program revenues	<u>19,273,099</u>	<u>19,372,122</u>	<u>20,515,976</u>	<u>21,581,135</u>
Change in net position				
Governmental activities	(1,772,535)	651,140	187,418	8,851,306
Business activities	161,634	250,775	312,546	298,267
Total primary government change in net position	<u>\$ (1,610,901)</u>	<u>\$ 901,915</u>	<u>\$ 499,964</u>	<u>\$ 9,149,573</u>

Source: Statement of Activities (Exhibit 2 in Basic Financial Statements)

Town of Kernersville, North Carolina
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 2
(4 pages)

		Fiscal Year				
2017	2018	2019	2020	2021	2022	
\$ 15,371,366	\$ 16,239,699	\$ 17,124,077	\$ 17,650,690	\$ 18,762,693	\$ 21,188,484	
254,325	283,587	301,782	259,708	250,804	320,083	
7,392,058	7,977,157	8,394,820	8,624,285	9,420,485	14,756,781	
80,037	176,105	409,615	263,446	38,584	104,528	
(220,579)	(220,579)	(220,579)	(231,805)	(232,305)	(213,724)	
52,202	60,812	8,231	643,210	108,625	106,337	
149,485	2,123,660	844,666	4,599,840	2,114,874	7,608,122	
<u>23,078,894</u>	<u>26,640,441</u>	<u>26,862,612</u>	<u>31,809,374</u>	<u>30,463,760</u>	<u>43,870,611</u>	
8,760	-	-	-	-	-	
5,358	15,648	30,145	9,194	191	2,135	
220,579	220,579	220,579	231,805	232,305	213,724	
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>234,697</u>	<u>236,227</u>	<u>250,724</u>	<u>240,999</u>	<u>232,496</u>	<u>215,859</u>	
<u>23,313,591</u>	<u>26,876,668</u>	<u>27,113,336</u>	<u>32,050,373</u>	<u>30,696,256</u>	<u>44,086,470</u>	
4,526,134	1,242,802	(63,129)	1,108,585	1,448,971	14,586,751	
270,708	(149,684)	(510,319)	220,545	(111,787)	224,758	
<u>\$ 4,796,842</u>	<u>\$ 1,093,118</u>	<u>\$ (573,448)</u>	<u>\$ 1,329,130</u>	<u>\$ 1,337,184</u>	<u>\$ 14,811,509</u>	

Town of Kernersville, North Carolina
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Reserved	N/A	N/A	N/A	N/A
Unreserved	N/A	N/A	N/A	N/A
Non-spendable	\$ 16,479	\$ 222,957	\$ 5,250	\$ 5,935
Restricted	2,171,712	2,043,075	2,227,084	4,931,738
Committed	1,120,723	821,040	684,526	730,792
Assigned	397,654	226,126	253,144	527,009
Unassigned	7,733,398	7,178,931	8,348,194	6,209,156
Total general fund	<u>11,439,966</u>	<u>10,492,129</u>	<u>11,518,198</u>	<u>12,404,630</u>
All other governmental funds				
Reserved	N/A	N/A	N/A	N/A
Unreserved, reported in:				
Special revenue funds	N/A	N/A	N/A	N/A
Capital projects funds	N/A	N/A	N/A	N/A
Restricted	258,598	362,304	385,268	363,958
Committed	719,729	658,824	651,339	562,150
Assigned	277,892	-	-	-
Total all other governmental funds	<u>1,256,219</u>	<u>1,021,128</u>	<u>1,036,607</u>	<u>926,108</u>
Total fund balance	<u>\$ 12,696,185</u>	<u>\$ 11,513,257</u>	<u>\$ 12,554,805</u>	<u>\$ 13,330,738</u>

N/A - Not applicable prior to and subsequent to the implementation of GASB Statement No. 54.

Source: Balance Sheet - Governmental Funds (Exhibit 3 in Basic Financial Statements)

Town of Kernersville, North Carolina
Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Table 3

							Fiscal Year					
							2017	2018	2019	2020	2021	2022
							N/A	N/A	N/A	N/A	N/A	N/A
							N/A	N/A	N/A	N/A	N/A	N/A
\$							261,570	\$ 2,700	\$ 6,044	\$ 15,127	\$ 15,397	\$ 13,888
							3,925,085	3,997,944	4,227,945	2,855,108	5,216,321	5,974,920
							1,023,656	1,749,834	1,013,448	940,174	1,123,018	1,398,888
							-	473,110	385,994	500,000	560,000	-
							7,571,262	7,982,176	10,990,040	11,592,803	8,963,557	15,359,347
							12,781,573	14,205,764	16,623,471	15,903,212	15,878,293	22,747,043
							N/A	N/A	N/A	N/A	N/A	N/A
							N/A	N/A	N/A	N/A	N/A	N/A
							N/A	N/A	N/A	N/A	N/A	N/A
							386,441	451,004	470,773	426,021	517,758	729,941
							3,725,147	3,708,905	371,183	60,255	3,784,975	6,923,261
							-	-	-	-	-	500
							4,111,588	4,159,909	841,956	486,276	4,302,733	7,653,702
\$							16,893,161	\$ 18,365,673	\$ 17,465,427	\$ 16,389,488	\$ 20,181,026	\$ 30,400,745

Town of Kernersville, North Carolina
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year			
	2013	2014	2015	2016
Revenues by source				
Ad valorem taxes	\$ 12,885,047	\$ 13,151,903	\$ 13,528,449	\$ 14,062,364
Other taxes and licenses	247,477	218,755	238,417	253,740
Unrestricted intergovernmental	6,194,669	6,036,044	6,606,027	7,095,351
Restricted intergovernmental	1,928,177	1,045,699	1,862,253	1,957,999
Penalties and interest	58,630	16,949	60,236	58,732
Contributions and donations	1,002,147	854,417	940,041	491,255
Other revenues	49,990	8,283	59,496	-
Functionally related revenues	2,242,101	2,398,460	2,442,134	2,793,937
Total revenues	<u>24,608,238</u>	<u>23,730,510</u>	<u>25,737,053</u>	<u>26,713,378</u>
Expenditures by function				
General government	3,189,818	3,824,056	4,207,196	4,792,965
Public safety	11,688,938	12,547,679	12,509,496	13,529,860
Public service	6,679,349	6,638,214	6,607,747	5,480,561
Cultural and recreation	1,465,046	1,364,430	1,799,026	2,636,038
Other operating expenses	-	-	-	-
Debt service:				
Principal retirement	1,703,026	1,753,280	1,813,855	2,131,846
Interest and fiscal charges	367,301	345,661	257,074	150,832
Bond issuance costs	-	-	65,000	-
Total expenditures	<u>25,093,478</u>	<u>26,473,320</u>	<u>27,259,394</u>	<u>28,722,102</u>
Excess of revenue over (under) expenditures	<u>(485,240)</u>	<u>(2,742,810)</u>	<u>(1,522,341)</u>	<u>(2,008,724)</u>
Other financing sources (uses)				
Proceeds from installment purchases	1,905,500	1,364,750	2,102,469	2,647,400
Lease liabilities issued	-	-	-	-
Refunding bonds issued	-	-	4,065,000	-
Debt service - principal	-	-	(4,000,000)	-
Sale of capital assets	107,250	60,030	111,089	353,836
Transfers in	510,370	768,594	745,701	151,827
Transfers out	(378,581)	(633,492)	(460,370)	(368,406)
Total other financing sources	<u>2,144,539</u>	<u>1,559,882</u>	<u>2,563,889</u>	<u>2,784,657</u>
Net change in fund balances	<u>\$ 1,659,299</u>	<u>\$ (1,182,928)</u>	<u>\$ 1,041,548</u>	<u>\$ 775,933</u>
Capital outlay included in total expenditures	<u>\$ 1,168,080</u>	<u>\$ 2,768,218</u>	<u>\$ 2,172,524</u>	<u>\$ 2,439,094</u>
Debt service as a percentage of noncapital expenditures	8.7%	8.9%	8.3%	8.7%

Source: Changes in Fund Balances - Governmental Funds (Exhibit 4 in Basic Financial Statements)

Town of Kernersville, North Carolina
Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 4

		Fiscal Year					
		2017	2018	2019	2020	2021	2022
	\$	15,318,974	\$ 16,242,913	\$ 17,262,956	\$ 17,700,036	\$ 18,740,650	\$ 21,211,736
		254,325	283,587	301,782	259,708	250,804	320,083
		7,392,058	7,977,157	8,394,820	8,624,285	9,420,485	14,756,781
		1,828,677	2,062,276	1,335,610	985,852	3,276,438	1,633,100
		77,046	166,013	386,317	246,951	38,278	103,141
		1,026,527	1,033,129	1,230,110	1,141,956	1,362,522	3,061,474
		149,485	90,143	242,687	5,590	1,734,359	185,424
		2,716,432	2,732,960	3,306,260	2,979,844	3,126,005	2,792,702
		<u>28,763,524</u>	<u>30,588,178</u>	<u>32,460,542</u>	<u>31,944,222</u>	<u>37,949,541</u>	<u>44,064,441</u>
		5,383,778	4,763,809	4,364,518	4,357,949	6,089,224	6,336,773
		16,852,211	18,339,615	17,830,988	16,158,030	15,552,513	16,729,585
		7,705,003	11,022,173	7,409,664	7,498,008	5,914,719	7,525,421
		2,071,640	2,103,393	2,134,585	2,851,211	2,705,761	3,318,551
		-	-	-	-	-	183,192
		2,249,818	2,638,191	3,608,502	3,800,212	3,739,158	3,739,158
		131,774	130,753	649,333	567,675	486,097	881,336
		-	-	-	-	-	-
		<u>34,394,224</u>	<u>38,997,934</u>	<u>35,997,590</u>	<u>35,233,085</u>	<u>34,487,472</u>	<u>38,714,016</u>
		(5,630,700)	(8,409,756)	(3,537,048)	(3,288,863)	3,462,069	5,350,425
		9,361,500	10,042,035	2,849,150	1,801,519	481,858	4,223,740
		-	-	-	-	-	724,232
		-	-	-	-	-	-
		-	-	-	-	-	-
		52,202	60,812	8,231	643,210	108,625	106,337
		730,645	706,702	1,779,854	528,176	3,979,782	4,463,495
		(951,224)	(927,281)	(2,000,433)	(759,981)	(4,212,087)	(4,677,219)
		<u>9,193,123</u>	<u>9,882,268</u>	<u>2,636,802</u>	<u>2,212,924</u>	<u>358,178</u>	<u>4,840,585</u>
	\$	<u>3,562,423</u>	<u>1,472,512</u>	<u>(900,246)</u>	<u>(1,075,939)</u>	<u>3,820,247</u>	<u>\$ 10,191,010</u>
	\$	<u>4,615,485</u>	<u>9,823,669</u>	<u>5,029,209</u>	<u>2,722,973</u>	<u>1,306,540</u>	<u>\$ 528,246</u>
		8.0%	9.5%	13.7%	13.4%	12.7%	12.1%

This page left blank intentionally.

Revenue Capacity Information

Town of Kernersville, North Carolina
Tax Revenues by Source
Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 5

Fiscal Year	Ad Valorem Property Tax ^a	Local Option Sales & Use Tax	Utilities Franchise and Sales Tax ^b	Hotel/Motel Occupancy Tax	Alcoholic Beverage Tax ^c
2013	\$ 12,885,047	\$ 3,702,977	\$ 1,424,476	\$ 95,952	\$ 363,487
2014	13,151,903	3,751,318	1,479,625	106,656	398,872
2015	13,528,449	4,239,410	1,830,850	113,742	452,601
2016	14,062,364	4,605,164	1,916,865	137,964	484,780
2017	15,318,974	4,833,178	1,883,992	143,670	586,746
2018	16,242,913	5,330,872	1,947,550	161,720	603,277
2019	17,262,956	5,640,887	2,004,783	173,887	684,102
2020	17,700,036	5,911,981	1,931,504	134,578	714,795
2021	18,740,650	6,620,460	1,910,212	124,427	817,669
2022	21,211,736	7,944,112	1,953,798	202,209	834,765
Change from 2013 to 2022	64.6%	114.5%	37.2%	110.7%	129.7%

^a Ad valorem property taxes are the Town's most significant source of revenues. All other taxes and revenues are either comparatively insignificant or levied by a governmental entity other than the Town of Kernersville. Property tax increase is due to continued real property value growth and continued diligence in the collection of property taxes. This year's collection rate was 96.14%.

^b Includes taxes on piped natural gas, electricity, telecommunication services and video programming.

^c The Alcoholic Beverage Tax includes distributions from both the State and Forsyth County.

Town of Kernersville, North Carolina
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Rate per \$100 of Assessed Value)

Table 6

Fiscal Year	Town Direct Rates			Forsyth County ^d	Guilford County ^{d,c}
	Basic Rate	General Obligation Streets Debt Service ^a	Total Direct		
2013	0.4475	0.05	0.4975	0.6740	0.7804
2014	0.4775	0.05	0.5275	0.6787	0.7700
2015	0.4925	0.05	0.5425	0.7168	0.7700
2016	0.4925	0.05	0.5425	0.7310	0.7600
2017	0.5200	0.05	0.5700	0.7310	0.7550
2018	0.5045	0.05	0.5545	0.7235	0.7305
2019	0.5200	0.05	0.5700	0.7535	0.7305
2020	0.5200	0.05	0.5700	0.7535	0.7305
2021	0.5200	0.05	0.5700	0.7535	0.7305
2022	0.5090	0.05	0.5590	0.6778	0.7305

Source: Forsyth County Tax Office and Guilford County Tax Office

Note: As approved by the citizens of Kernersville in the Bond Referendum held in the November General Election of 1998, the Town has established a special assessment equal to five cents on the tax rate in order to retire the debt generated by the sale of long-term street bonds sold on May 4, 2004. These street bonds were subsequently refunded on July 29, 2014, upon issuance of the new general obligation bond funding.

The Town's basic property tax rate may be increased only by a majority vote of the Town's Board of Aldermen.

Note: Rates for debt service are set based on each year's requirements.

^a A separate debt service fund has not been established, but revenues equal to five cents on the tax rate are used each year to pay the annual bond debt.

^b Overlapping rates are those of local and county governments that apply to property owners within the Town of Kernersville.

^c In 2009, the Town expanded into Guilford County under an annexation agreement.

Town of Kernersville, North Carolina
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 7

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Winston-Salem Healthcare Development	\$ 116,245,627	1	4.21%	\$ 34,695,780	-	0.00%
Deere-Hitachi	90,540,126	2	3.28%	-	2	1.34%
Dogwood Propco I LP	52,290,171	3	1.90%	17,801,000	-	0.00%
Hawthorne Midway	38,600,541	4	1.40%	-	-	0.00%
Reserve at Smith Crossing, LLC	36,130,568	5	1.31%	-	-	0.00%
Duke Energy Corp	32,277,547	6	1.17%	-	9	0.69%
DLS Kernersville LLC	31,355,455	7	1.14%	22,609,490	5	0.85%
Grass America Inc	30,505,681	8	1.11%	-	4	0.99%
Wal-Mart	28,304,959	9	1.03%	18,256,200	6	0.74%
Greystone Capital Kernersville, LLC	18,210,460	10	0.66%	25,685,390	-	0.00%
	<u>\$ 474,461,136</u>		<u>17.20%</u>	<u>\$ 119,047,860</u>		<u>4.61%</u>

Source: Forsyth County Tax Office

Town of Kernersville, North Carolina
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 8

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 13,178,975	\$ 12,953,063	98.29%	\$ 214,601	\$ 13,167,664	99.91%
2014	13,538,090	13,369,800	98.76%	158,025	13,527,825	99.92%
2015	13,820,404	13,730,922	99.35%	81,329	13,812,251	99.94%
2016	14,288,679	14,224,114	99.55%	56,699	14,280,813	99.94%
2017	15,812,058	15,670,133	99.10%	128,366	15,798,499	99.91%
2018	16,593,014	16,474,026	99.28%	107,567	16,581,593	99.93%
2019	17,856,183	17,741,095	99.36%	92,192	17,833,287	99.87%
2020	18,191,775	18,113,931	99.57%	59,601	18,173,532	99.90%
2021	19,265,741	19,134,504	99.32%	69,972	19,204,476	99.68%
2022	21,750,739	21,624,894	99.42%	-	21,624,894	99.42%

Sources: Forsyth County and Guilford County Tax Offices

Town of Kernersville, North Carolina
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Public Service Companies Property
2013	\$ 1,369,830,089	\$ 613,351,703	\$ 93,149,696	\$ 48,352,263
2014	1,245,558,247	542,639,948	83,699,860	38,060,695
2015	1,551,270,046	522,712,586	149,963,590	53,157,539
2016	1,541,668,384	530,690,186	185,919,060	56,134,541
2017	1,245,436,246	905,417,895	122,502,253	55,527,861
2018	1,239,326,123	1,122,178,626	134,256,608	58,599,370
2019	1,294,603,558	1,170,998,567	133,318,580	61,747,739
2020	1,316,305,365	1,193,200,024	140,238,276	64,414,198
2021	1,379,751,475	1,202,120,224	232,182,652	67,198,819
2021	1,697,130,455	1,316,507,603	247,214,068	66,535,548

Source: Forsyth County Tax Assessor's Office TR-1 Report. & Guilford County Tax Assessor's TR-1 Report

Note: Property in Forsyth County is reassessed once every four years. Property in Guilford County is reassessed once every eight years.

Total Taxable Assessed Value includes: all residential, commercial and industrial real property, public service company property less tax-exempt property (no vehicles or personal property included).

Actual Taxable Value includes: all Total Taxable Assessed Value plus registered motor vehicles, personal property and discoveries, net of releases.

Town of Kernersville, North Carolina
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years

Table 9

Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 34,740,649	\$ 2,089,943,102	0.4975	\$ 2,600,402,211	80.37%
32,354,749	1,877,604,001	0.5275	2,550,261,901	73.62%
44,872,741	2,232,231,020	0.5425	2,501,712,811	89.23%
42,332,096	2,272,080,075	0.5425	2,580,794,101	88.04%
45,517,724	2,283,366,531	0.5700	2,719,792,281	83.95%
49,358,741	2,505,001,986	0.5545	2,696,929,040	92.88%
47,129,882	2,613,538,562	0.5700	2,774,875,458	94.19%
23,890,843	2,690,267,020	0.5700	2,829,692,756	95.07%
23,517,870	2,857,735,300	0.5700	3,002,376,630	95.18%
25,713,656	3,301,674,018	0.5590	3,464,538,744	95.30%

This page left blank intentionally.

Debt Capacity Information

This page left blank intentionally.

Town of Kernersville, North Carolina
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities			Business-Type Activities	Total Primary Government	Percentage of County Personal Income	Per Capita ^a
	General Obligation Bonds	State Revolving Loan	Installment Purchases	Installment Purchases			
2013	\$ 4,400,000	\$ 4,800,000	\$ 3,028,744	\$ -	\$ 12,228,744	n/a	\$ 498
2014	4,000,000	4,400,000	3,440,214	-	11,840,214	n/a	494
2015	3,660,000	4,000,000	4,533,828	178,938	12,372,766	n/a	512
2016	3,255,000	3,600,000	5,894,487	134,988	12,884,475	n/a	532
2017	2,850,000	3,200,000	13,811,170	389,201	20,250,371	n/a	819
2018	2,445,000	2,800,000	21,512,884	274,777	27,032,661	n/a	1,074
2019	2,040,000	2,400,000	21,558,532	470,553	26,469,085	n/a	1,014
2020	1,635,000	2,000,000	20,391,264	378,005	24,404,269	n/a	927
2021	1,230,000	1,600,000	17,975,821	216,755	21,022,576	n/a	793
2022	825,000	1,200,000	19,189,768	183,253	21,398,021	n/a	805

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^a See Table 14 for personal income for Forsyth County and population data for the Town of Kernersville. These ratios are calculated using population for the prior calendar year.

Town of Kernersville, North Carolina
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years

Table 11

Fiscal Year	General Obligation Bonds	Total	Percentage of G.O. Debt to Actual Taxable Value of Property ^a	Per Capita ^b
2013	\$ 4,400,000	\$ 4,400,000	0.1692%	\$ 185
2014	4,000,000	4,000,000	0.1568%	166.49
2015	3,660,000	3,660,000	0.1463%	151.38
2016	3,255,000	3,255,000	0.1261%	134.30
2017	2,850,000	2,850,000	0.1048%	115.24
2018	2,445,000	2,445,000	0.0833%	97.16
2019	2,040,000	2,040,000	0.0650%	78.18
2020	1,635,000	1,635,000	0.0526%	62.14
2021	1,230,000	1,230,000	0.0373%	46.42
2022	\$ 825,000	\$ 825,000	0.0250%	31.02

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

^a See Table 5 for property value data.

^b See Table 14 for population data.

Town of Kernersville, North Carolina
 Direct and Overlapping Governmental Activities Debt
 June 30, 2022

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable ^{a & b}	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Forsyth County's general obligation debt	\$ 597,184,121	7.020%	\$ 41,922,325
Town of Kernersville's direct debt			21,214,768
Total direct and overlapping debt			\$ 63,137,093

^a Source: Forsyth County

^b For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value which is within the County's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for the Town of Kernersville's other debt.

Town of Kernersville, North Carolina
Legal Debt Margin Information
Governmental Funds
Last Ten Fiscal Years

	Fiscal Year			
	2013	2014	2015	2016
Debt limit	\$ 208,032,177	\$ 204,020,952	\$ 200,137,025	\$ 206,463,528
Total net debt applicable to limit	<u>12,228,744</u>	<u>11,840,214</u>	<u>12,372,766</u>	<u>12,749,487</u>
Legal debt margin	<u>\$ 195,803,433</u>	<u>\$ 192,180,738</u>	<u>\$ 187,764,259</u>	<u>\$ 193,714,041</u>

Note: Under state finance law, the Town's outstanding general obligation debt should not exceed 8% of total assessed property value.

Town of Kernersville, North Carolina
 Legal Debt Margin Information
 Governmental Funds
 Last Ten Fiscal Years

Table 13

Legal Debt Margin Calculation for Fiscal Year 2022					
Assessed value					\$ 3,801,972,272
Debt limit (8% of assessed value)					\$ 304,157,782
Debt applicable to limit:					
General obligation bonds					825,000
Revolving loan payable					1,200,000
Installment purchases					19,381,100
Total net debt applicable to limit					21,406,100
Legal debt margin					\$ 282,751,682

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 217,583,382	\$ 234,747,556	\$ 250,944,996	\$ 248,657,221	\$ 263,494,372	\$ 304,157,782
<u>20,250,371</u>	<u>27,032,661</u>	<u>26,469,085</u>	<u>24,404,269</u>	<u>21,022,576</u>	<u>21,406,100</u>
<u>\$ 197,333,011</u>	<u>\$ 207,714,895</u>	<u>\$ 224,475,911</u>	<u>\$ 224,252,952</u>	<u>\$ 242,471,796</u>	<u>\$ 282,751,682</u>

This page left blank intentionally.

Demographic and Economic Information

This page left blank intentionally.

Town of Kernersville, North Carolina
Demographic and Economic Statistics
Last Ten Calendar Years

Table 14

Calendar Year	Population ¹	Forsyth County Personal Income ¹	Per Capita Personal Income ¹	Median Age ¹	School Enrollment ²	Unemployment Rate ³
2013	23,823	\$ 14,176,253	\$ 39,583	37.4	7,746	9.5%
2014	24,025	14,354,615	N/A	37.5	7,578	7.5%
2015	24,177	15,137,006	N/A	37.5	10,697 ⁴	5.5%
2016	24,237	N/A	N/A	36.0	10,202 ⁴	4.9%
2017	24,730	N/A	N/A	0	9,939 ⁴	4.5%
2018	25,164	N/A	N/A	0	10,225 ⁴	4.1%
2019	26,093	N/A	N/A	0	9,764 ⁴	4.4%
2020	26,312	N/A	N/A	0	9,898 ⁴	8.2%
2021	26,497	N/A	N/A	0	9,900 ⁴	5.0%
2022	26,597	N/A	N/A	0	9,404 ⁴	4.1%

Note: Personal Income, Per Capita Personal Income, Median Age and Unemployment rates are not available for the Town of Kernersville. Statistics for Forsyth County were used.

¹ Office of State Budget and Management, Information for Forsyth County was used.

² Winston-Salem/Forsyth County School System.

³ Employment Security Commission; Forsyth County rates were used.

⁴ Beginning in calendar year 2015, school enrollment numbers include data from Glenn High School, Sage Elementary, and Union Cross Academy; prior to 2015, this data was previously not available.

**Town of Kernersville, North Carolina
Principal Employers for Forsyth County
Current Year and Nine Years Ago**

Table 15

Employer	2022 ¹			2013 ²		
	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
Wake Forest University Baptist Medical Center	18,570	1	10.4%	12,837	1	7.7%
Novant Health	11,010	2	6.2%	8,145	2	4.9%
Winston-Salem/Forsyth County School System	5,500	3	3.1%	6,692	3	4.0%
BB&T	4,000	4	2.2%	2,200	8	1.3%
Wells Fargo Bank	3,500	5	2.0%	2,800	5	1.7%
Reynolds American	2,500	6	1.4%	3,000	4	1.8%
Hanesbrands	2,400	7	1.3%	2,500	7	1.5%
City of Winston-Salem	2,287	8	1.3%	2,660	6	1.6%
Wake Forest University	2,270	9	1.3%	1,680	10	1.0%
Forsyth County	2,127	10	1.2%	2,029	9	1.2%
Total	54,164		30.4%	44,543		26.7%

¹ estimates as of June 2022

² estimates as of June 2013

Sources: Number of employees provided by the Greater Winston-Salem Chamber of Commerce, as reported by individual companies and institutions. County civilian labor force information used to calculate percentage of total employment provided by the North Carolina Employment Security Commission.

Town of Kernersville, North Carolina
Full-Time Equivalent Town Government Employees by Functions/Programs
Last Ten Fiscal Years

Table 16

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government:										
Governing body	6	6	6	6	6	6	6	6	6	6
Administration	3	3	3	3	3	3	3	3	3	3
Finance	6	7	6	5	6	6	6	6	6	7
Information technology	3	3	3	4	4	4	4	4	5	5
Planning and zoning	4	4	4	4	4	4	4	3	5	4
Inspections	5	6	5	4	6	6	6	5	7	5
Personnel	4	5	5	4	4	4	4	4	4	5
General services	3	3	3	4	4	5	5	5	4	5
Police:										
Officers	65	67	67	68	67	67	68	69	66	66
Civilians	20	20	20	19	20	20	20	19	19	18
Fire:										
Firefighters and officers	70	73	71	71	70	70	73	74	72	72
Civilians	1	1	1	1	1	1	2	2	2	1
Public service:										
Engineering	2	2	3	2	1	1	1	1	1	1
Street	20	17	21	16	17	16	16	15	14	14
Sanitation	22	22	20	18	16	18	18	16	16	15
Transportation	3	2	-	-	-	-	-	-	-	-
Public works										
administration	3	5	5	4	4	4	4	4	4	4
Central maintenance	9	9	8	7	8	8	7	6	8	8
Stormwater enterprise	5	5	3	4	8	8	11	11	10	10
Cultural and recreation:										
Recreation	10	9	11	14	15	15	15	15	14	16
Total	<u>264</u>	<u>269</u>	<u>265</u>	<u>258</u>	<u>264</u>	<u>266</u>	<u>273</u>	<u>268</u>	<u>266</u>	<u>265</u>

Source: Town's Payroll Department

This page left blank intentionally.

Operating Information

This page left blank intentionally.

Town of Kernersville, North Carolina
Operating Indicators by Function/Program
Last Ten Fiscal Years

Table 17

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police:										
Physical arrests	1,887	1,495	1,943	792	1,698	1,973	1,908	1,566	1,450	1,368
Parking violations	160	59	84	25	47	39	20	15	9	15
Traffic violations	4,658	3,735	7,393	4,445	5,606	5,516	5,007	4,189	3,184	4,072
Fire:										
Emergency responses	2,798	3,018	2,973	2,780	3,007	3,155	3,258	2,879	2,382	3,220
Fires extinguished	108	215	136	117	81	122	52	97	110	125
Inspections	1,755	1,225	932	678	485	1,203	1,186	945	1,964	1,563
Refuse collection:										
Refuse collected (tons per year)	12,990	13,408	13,350	13,865	14,442	14,443	15,140	14,962	14,415	10,605
Recyclables collected (tons per year)	4,291	2,123	2,131	2,248	2,394	2,411	2,517	2,446	2,378	2,078
Other public works:										
Street resurfacing (miles)	2.2	3.1	-	-	-	3.4	4.5	2.2	0.2	1.5
Potholes repaired (square yards)	1,393	1,792	1,496	224	331	433	401	334	80	N/A
Parks and recreation:										
Athletic field permits issued	37	32	54	57	57	57	57	40	44	62

Sources: Various Town departments

Note: Indicators are not available for the general government function.

Town of Kernersville, North Carolina
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year			
	2013	2014	2015	2016
Police:				
Stations	1	1	1	1
Policemen and officers	65	67	67	68
Annual police calls to which responded	39,421	36,724	44,940	48,242
Annual traffic accidents	1,309	1,345	1,311	1,503
Annual number of arrests (18 years and over)	1,324	1,170	2,320	1,188
Fire:				
Stations	4	4	4	4
Firemen and officers	70	73	71	71
Annual fire calls	2,798	3,018	2,973	2,780
Building permits issued:	237	256	184	243
Value of building permits issued	\$ 38,875,388	\$ 135,649,973	\$ 23,931,938	\$ 51,977,005
Public services:				
Streets (miles)	94.480	94.868	95.267	95.792
Streetlights	3,106	3,192	3,192	3,192
Traffic signals	28	33	33	34
Parks and recreation:				
Parks	7	9	9	9
Total acreage of parks	294	327	327	327
Lighted tennis courts	6	6	6	6
Recreation centers	1	1	1	1
Baseball/softball diamonds	3	3	3	3
Soccer fields:	5	7	11	7
Joint-use agreements:				
Joint Use Soccer Fields	-	-	4	4
Joint Use Ball Fields (lit)	-	-	7	7
Fishing and boating lakes:				
Owned and operated by the Town	2	2	2	2
Owned and operated by Forsyth County	1	1	1	1

Sources: Various Town Departments

Note: No capital asset indicators are available for the general government function.

Town of Kernersville, North Carolina
 Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Table 18

Fiscal Year						
2017	2018	2019	2020	2021	2022	
1	1	1	1	1	1	1
67	67	68	69	66	66	66
72,117	51,157	43,831	56,725	50,374	50,374	59,837
1,575	1,463	1,524	1,346	1,303	1,303	1,390
1,698	1,973	1,761	1,385	3,030	3,030	1,371
4	4	4	4	4	4	4
70	70	73	74	72	72	72
3,007	3,155	3,266	2,879	1,461	1,461	3,220
3,191	3,594	3,875	4,086	5,693	5,693	533
\$ 71,172,206	\$ 58,920,757	\$ 140,182,037	\$ 78,931,097	\$ 137,576,436	\$ 137,576,436	\$ 125,807,322
97,456	99,530	98,400	98,660	100,230	100,230	98,660
3,192	3,281	3,281	3,281	3,705	3,705	3,705
34	34	34	36	36	36	36
9	9	11	13	12	12	12
327	327	421	468	456	456	456
6	6	6	6	6	6	6
1	1	1	1	1	1	1
3	3	3	10	10	10	10
7	7	7	11	11	11	11
4	4	4	4	4	4	4
7	7	7	7	7	7	7
2	2	3	3	3	3	3
1	1	-	-	-	-	-

This page left blank intentionally.

Supplementary Information

Compliance Section

This page left blank intentionally.

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

Independent Auditor's Report

Honorable Mayor and Members of the Board of Aldermen
Town of Kernersville, NC

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kernersville, North Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Kernersville's basic financial statements, and have issued our report thereon dated December 2, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 have not been identified.

FORVIS

Report on Compliance and Other Matters

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

Purpose of this Report

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.

FORVIS, LLP

High Point, NC
December 2, 2022

Report on Compliance for the Major State Program and on Internal Control over Compliance in Accordance with Applicable Sections of OMB Uniform Guidance and the State Single Audit Implementation Act

Independent Auditor's Report

Honorable Mayor and Members of the Board of Aldermen
Town of Kernersville, NC

Report on Compliance for the Major State Program

Opinion on the Major State Program

We have audited Town of Kernersville, North Carolina's (the "Town") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on its major state program for the year ended June 30, 2022. The Town of Kernersville's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major state program for the year ended June 30, 2022.

Basis for Opinion on the Major State Program

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

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

Responsibilities of Management for the Audit of Compliance

Management is responsible for compliance with the requirements of state statutes, regulations, and the terms and conditions of its state awards applicable to its state program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, and the State Single Audit Implementation Act will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major state program as a whole.

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

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

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

Report on Internal Control over Compliance

Management of the Town of Kernersville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Kernersville's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with applicable sections of the Uniform Guidance and the State Single Audit Implementation Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kernersville's internal control over compliance.

FORVIS

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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

FORVIS,LLP

**High Point, NC
December 2, 2022**

Schedule of Findings and Questioned Costs

1. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes No

State Awards

Internal control over major state programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to state award Yes No

Type of auditors' report issued on compliance for major state program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act?

Yes No

Identification of major state program:

Powell Bill

2. Financial Statement Findings

There were no findings related to the financial statements for the fiscal year ended June 30, 2022.

3. State Awards Findings and Questioned Costs

There were no findings related to state awards for the fiscal year ended June 30, 2022.

Summary Schedule of Prior Year Audit Findings

There were no prior year audit findings.

Town of Kernersville, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2022

Schedule 19
 (2 pages)

Grantor/Program Title	Federal CFDA Number	Grant Number	Federal (Direct and Pass-through) Expenditures	State Expenditures	Local Expenditures
Federal grants:					
<u>U.S. Department of Justice:</u>					
Direct programs:					
Bullet-Proof Vest Partnership	16.607		\$ 10,300	\$ -	\$ 71,607
Federal Asset Forfeiture Funds	16.922	NC0-340100	52,172	-	27,867
Organized Crime Drug Enforcement Task Forces	16.000	SI-SE-004-15 & SI-NCM-0136H	8,278	-	-
FBI Joint Terror Task Force		533.28 & CFR 0.85	-	-	-
Passed through the N.C. Department of Public Safety Governor's Crime Commission:					
Protective Equipment			-	-	22,511
School Safety Radios	16.738	PROJ013771	16,208	-	-
Total U.S. Department of Justice			86,958	-	121,985
<u>U.S. Department of Homeland Security:</u>					
Direct programs:					
Immigration Customs Enforcement	21.016		7,096	-	-
<u>U.S. Department of Treasury</u>					
Passed through the N.C. Pandemic Recovery Office					
American Rescue Plan Act	21.019	02-34-02	3,929,539	-	3,929,539
<u>U.S. Department of Transportation:</u>					
Passed through the N.C. Department of Transportation:					
N.C. Governor's Highway Safety Program:					
EB-5957 (Old Winston Road Sidewalk)		2000003126	26,184	-	2,071
Passed through the City of Winston-Salem MPO:					
Enhanced Mobility of Seniors and Individuals with Disabilities Program (Section 5310)					
	20.513	2000002523	45,925	-	31,540
Total U.S. Department of Transportation			72,109	-	33,611
Total assistance - federal programs			4,095,702	-	4,085,135

Town of Kernersville, North Carolina
 Schedule of Expenditures of Federal and State Awards
 Year Ended June 30, 2022

Schedule 19
 (2 pages)

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal (Direct and Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Local Expenditures</u>
State grants:					
<u>N.C. Department of Public Safety</u>					
Direct programs:					
Division of Emergency Management:					
FEMA AFG		EMW-2019-GF-04334	\$ 25,455	\$ -	\$ -
Tropical Storm Michael		FEMA-4412-DR-NC	35,898	11,966	
Total N.C. Department of Public Safety			<u>61,353</u>	<u>11,966</u>	<u>-</u>
<u>N.C. Department of Commerce</u>					
Direct programs:					
Economic Development			-	\$ 250,000	\$ 19,078
IDF Utility Fund					
National Pipe & Plastics - Road Project		SA-37	-	-	4,420
National Pipe & Plastics - Water/Sewer Project		U-511	-	23,854	1,387
<u>N.C. Department of Transportation</u>					
Direct programs:					
Powell Bill		2000026710	-	748,199	-
<u>N.C. Office of State Budget Management</u>					
Direct programs:					
Capital Infrastructure		11112	-	79,559	-
Fire Equipment		11111	-	41,998	-
Total assistance - State programs			<u>61,353</u>	<u>1,155,576</u>	<u>24,885</u>
Total assistance			<u>\$ 4,157,055</u>	<u>\$ 1,155,576</u>	<u>\$ 4,110,020</u>

Notes to Schedule of Expenditures of Federal and State Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (SEFSA) includes the federal and state grant activity of the Town of Kernersville under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

2. Summary of Significant Accounting Policies

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