

Town of Dover

FINANCIAL REPORT

June 30, 2020



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Town of Dover
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June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Alderman
Town of Dover, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dover, North Carolina (the "Town"), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town. The individual fund statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2021 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Carly Riggs & Ingram, L.L.C.

New Bern, North Carolina
July 29, 2021

Town of Dover Management's Discussion and Analysis

As management of the Town of Dover, we offer readers of the Town of Dover's (the "Town") financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

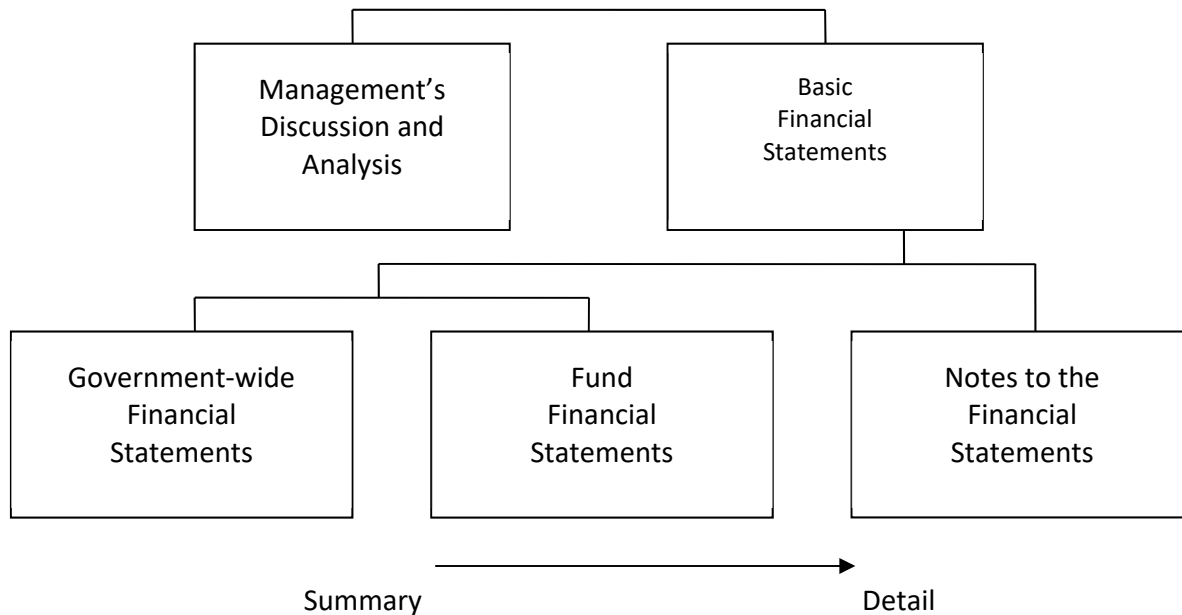
- The assets of the Town exceeded its liabilities and at the close of the fiscal year by \$8,874,915 (*net position*).
- The government's total net position increased by \$57,011, due to increases in both the governmental and business type activities net position.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$350,549, an increase of \$23,452 in comparison with the prior year. Approximately 39.45% of this total amount, or \$138,290, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$212,259 or 162.10% of total General Fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (*see Figure 1*). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Required Components of Annual Financial Report

Figure 1



Basis Financial Statements

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

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

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 and tax related information. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; 2) and business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the sewer services offered by the Town.

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

Fund Financial Statements

The fund financial statements (*see Figure 1*) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, 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 can be divided into two categories: governmental funds and proprietary funds.

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

Town of Dover Management's Discussion and Analysis

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town has one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its water and sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Other Information – In addition to basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town's individual funds and tax related information. Other supplementary information can be found beginning on page 41 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 Dover Management's Discussion and Analysis

Town of Dover's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 336,294	\$ 292,782	\$ (6,353)	\$ 64,075	\$ 329,941	\$ 356,857
Restricted assets	46,171	50,640	57,875	15,062	104,046	65,702
Capital assets	340,982	357,460	8,467,815	8,342,395	8,808,797	8,699,855
Total assets	723,447	700,882	8,519,337	8,421,532	9,242,784	9,122,414
Current liabilities	22,776	11,636	140,069	65,070	162,845	76,706
Long-term liabilities	-	-	205,024	227,804	205,024	227,804
Total liabilities	22,776	11,636	345,093	292,874	367,869	304,510
Net investment in capital assets	340,982	357,460	8,240,011	8,091,811	8,580,993	8,449,271
Restricted net position	138,290	117,810	-	-	138,290	117,810
Unrestricted net position (deficit)	221,399	213,976	(65,767)	36,847	155,632	250,823
Total net position	\$ 700,671	\$ 689,246	\$ 8,174,244	\$ 8,128,658	\$ 8,874,915	\$ 8,817,904

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$8,874,915 as of June 30, 2020. The Town's net position increased by \$57,011 for the fiscal year ended June 30, 2020. However, the largest portion (96.69%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$138,290 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$155,632 is unrestricted.

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

- Decrease in capital grants and other revenues
- Increase in ad valorem taxes
- Increase in operating expenses for governmental and business-type activities

Town of Dover
Management's Discussion and Analysis

Town of Dover's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 35,539	\$ 34,518	\$ 170,692	\$ 205,026	\$ 206,231	\$ 239,544
Operating grants	12,170	12,563	-	-	12,170	12,563
Capital grants	-	-	323,888	411,116	323,888	411,116
General revenues:						
Property taxes	62,839	55,998	-	-	62,839	55,998
Other taxes	48,236	48,558	-	-	48,236	48,558
Investment earnings	-	-	11	16	11	16
Other revenues	59	3,057	-	-	59	3,057
Total revenues	158,843	154,694	494,591	616,158	653,434	770,852
Expenses:						
General government	59,995	39,705	-	-	59,995	39,705
Transportation	45,777	37,503	-	-	45,777	37,503
Environmental protection	28,382	27,864	-	-	28,382	27,864
Cultural and recreation	13,264	24,710	-	-	13,264	24,710
Water and sewer	-	-	449,005	352,872	449,005	352,872
Total expenses	147,418	129,782	449,005	352,872	596,423	482,654
Increase in net position	11,425	24,912	45,586	263,286	57,011	288,198
Net position, beginning	689,246	664,334	8,128,658	7,865,372	8,817,904	8,529,706
Net position, ending	\$ 700,671	\$ 689,246	\$ 8,174,244	\$ 8,128,658	\$ 8,874,915	\$ 8,817,904

Governmental activities: Governmental activities increased the Town's net position by \$11,425. Key elements of the increase are as follows:

- Increased property tax revenue
- Increase in general government and transportation expenses due to increase in repairs and professional fees

Business-type activities: Business-type activities increased the Town's net position by \$45,586. Key elements of this increase are as follows:

- Increase in operating expenses due to increases in repairs
- Decrease in capital grants
- Decrease in charges for services

Financial Analysis of the Town of Dover's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$212,259, while total governmental fund balance reached \$350,549. 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 Town currently has an available fund balance of 162.10% of total General Fund expenditures, and total fund balance represents 267.72% of the same amount.

General Fund Budgetary Highlights: During the fiscal year, the Town did not revise the budget. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of \$65,767. The total increase in net position for this fund was \$45,586. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Town of Dover
Management's Discussion and Analysis

Capital Assets. As of June 30, 2020, the Town's investment in capital assets for its governmental and business-type activities totals \$8,808,797

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

- Construction in progress related to ongoing 2015 CDBG project
- Completion of 2014 CDBG Infrastructure project.

No major disposals were recorded this year.

Town of Dover's Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		
	2020	2019	2020	2019	2020	2019	
Land	\$ 39,026	\$ 39,026	\$ 163,450	\$ 163,450	\$ 202,476	\$ 202,476	
Construction in progress	-	-	776,816	2,344,122	776,816	2,344,122	
Buildings	59,797	54,958	-	-	59,797	54,958	
Plants and systems	-	-	7,520,043	5,828,877	7,520,043	5,828,877	
Furniture and fixtures	-	120	7,506	-	7,506	120	
Other improvements	10,807	5,662	-	-	10,807	5,662	
Machinery and equipment	227,853	256,762	-	5,945	227,853	262,707	
Computer equipment	-	-	-	-	-	-	
Vehicles and motorized equipment	3,499	932	-	-	3,499	932	
Total assets	\$ 340,982	\$ 357,460	\$ 8,467,815	\$ 8,342,394	\$ 8,808,797	\$ 8,699,854	

Additional information on the Town's capital assets can be found in the Note 3 of the basic financial statements.

Long-term Debt. As of June 30, 2020, the Town had total debt outstanding of \$227,804. All of Town's debt is backed by the full faith and credit of the Town.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Installment purchase obligation	\$ -	\$ -	\$ 227,804	\$ 250,584	\$ 227,804	\$ 250,584

The Town's total debt decreased by \$22,780 (9.09%) during the past fiscal year, primarily due to principal payments made.

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. The legal debt margin for Town is \$1,422,130.

Additional information regarding the Town's long-term debt can be found in Note 3 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Dover is not expecting any economic growth in the next year.
- The Town anticipates completion of the Water and Sewer Capital project in FY21
- There were no significant rate increases included in the FY21 budget.

Request 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 Carmen Rouse, Town Clerk, Town of Dover, P.O. Box 128, Dover, NC, 28526 or by calling the Town at (252) 523-9610.

Town of Dover
Statement of Net Position
June 30, 2020
Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 215,123	\$ 71,293	\$ 286,416
Taxes receivable	7,967	-	7,967
Accounts receivable (net)	5,147	19,952	25,099
Accrued interest receivable on taxes	1,173	-	1,173
Due from other governments	8,496	790	9,286
Internal balances	98,388	(98,388)	-
Restricted cash and cash equivalents	46,171	57,875	104,046
Total current assets	382,465	51,522	433,987
Noncurrent assets:			
Capital assets:			
Land and construction in progress	39,026	940,266	979,292
Capital assets, net of depreciation	301,956	7,527,549	7,829,505
Total capital assets	340,982	8,467,815	8,808,797
Total assets	723,447	8,519,337	9,242,784
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	16,006	100,174	116,180
Customer deposits	6,770	17,115	23,885
Current portion of long-term liabilities	-	22,780	22,780
Total current liabilities	22,776	140,069	162,845
Long-term liabilities:			
Due in more than one year	-	205,024	205,024
Total liabilities	22,776	345,093	367,869
NET POSITION			
Net investment in capital assets	340,982	8,240,011	8,580,993
Restricted for:			
Stabilization by State Statute	112,031	-	112,031
Streets	26,259	-	26,259
Unrestricted (deficit)	221,399	(65,767)	155,632
Total net position	\$ 700,671	\$ 8,174,244	\$ 8,874,915

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

Town of Dover
Statement of Activities
For the Year Ended June 30, 2020
Exhibit 2

Functions/ Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 59,995	\$ 200	\$ -	\$ -	\$ (59,795)	\$ -	\$ (59,795)
Transportation	45,777	-	12,170	-	(33,607)	-	(33,607)
Environmental protection	28,382	35,339	-	-	6,957	-	6,957
Cultural and recreation	13,264	-	-	-	(13,264)	-	(13,264)
Total governmental activities	147,418	35,539	12,170	-	(99,709)	-	(99,709)
Business-type activities:							
Water and Sewer	449,005	170,692	-	323,888	-	45,575	45,575
Total primary government	\$ 596,423	\$ 206,231	\$ 12,170	\$ 323,888	(99,709)	45,575	(54,134)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					62,839	-	62,839
Other taxes					48,236	-	48,236
Investment earnings					-	11	11
Miscellaneous					59	-	59
Total general revenues					111,134	11	111,145
Change in net position					11,425	45,586	57,011
Net position, beginning					689,246	8,128,658	8,817,904
Net position, ending					\$ 700,671	\$ 8,174,244	\$ 8,874,915

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

Town of Dover
Balance Sheet – Governmental Fund
June 30, 2020
Exhibit 3

	Major Fund
	General
ASSETS	
Cash and cash equivalents	\$ 215,123
Restricted cash	46,171
Ad valorem taxes receivable	7,967
Accounts receivable	5,147
Due from other governments	8,496
Due from other funds	98,388
Total assets	\$ 381,292
LIABILITIES	
Accounts payable and accrued liabilities	\$ 16,006
Customer deposits	6,770
Total liabilities	22,776
DEFERRED INFLOWS OF RESOURCES	
Property tax receivable	7,967
FUND BALANCE	
Restricted	
Stabilization of State Statute	112,031
Streets	26,259
Unassigned	212,259
Total fund balance	350,549
Total liabilities, deferred inflows of resources and fund balance	\$ 381,292

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

Town of Dover
Reconciliation of the Governmental Fund Balance
Sheet to the Statement of Net Position
June 30, 2020
Exhibit 3

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	350,549
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	478,338	
Accumulated depreciation	<u>(137,356)</u>	340,982
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds		
		1,173
Earned revenues considered deferred inflows of resources in the fund statements		
		7,967
Net position of governmental funds	\$	<u>700,671</u>

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

Town of Dover
Statement of Revenues, Expenditures, and Changes
In Fund Balance – Governmental Fund
For the Year Ended June 30, 2020
Exhibit 4

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 58,388
Unrestricted intergovernmental	48,236
Restricted intergovernmental	12,170
Permits and fees	35,539
Miscellaneous	59
Total revenues	154,392
EXPENDITURES	
Current:	
General government	59,040
Transportation	42,642
Environmental protection	28,382
Cultural and recreation	876
Total expenditures	130,940
Net change in fund balance	23,452
Fund balance - beginning	327,097
Fund balance - ending	\$ 350,549

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

Town of Dover
Reconciliation of the Statement of Revenues, Expenditures, and Changes
In Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020
Exhibit 4

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities:

Net change in fund balance - governmental funds	\$	23,452
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Depreciation expense for governmental assets		(16,478)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Change in unavailable revenue for tax revenue		4,451
<hr/>		
Total changes in net position of governmental activities	\$	11,425

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

Town of Dover
Statement of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2020
Exhibit 5

General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 56,950	\$ 56,950	\$ 58,388	\$ 1,438
Unrestricted intergovernmental	45,070	45,070	48,236	3,166
Restricted intergovernmental	12,687	12,687	12,170	(517)
Permits and fees	35,300	35,300	35,539	239
Miscellaneous	2,630	2,630	59	(2,571)
Total revenues	152,637	152,637	154,392	1,755
EXPENDITURES				
Current:				
General government	64,550	64,550	59,040	5,510
Transportation	54,087	54,087	42,642	11,445
Environmental protection	31,500	31,500	28,382	3,118
Cultural and recreation	2,500	2,500	876	1,624
Total expenditures	152,637	152,637	130,940	21,697
Revenues over (under) expenditures	-	-	23,452	23,452
Net change in fund balance	\$ -	\$ -	23,452	\$ 23,452
Fund balance - beginning			327,097	
Fund balance - ending			\$ 350,549	

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

Town of Dover
Statement of Net Position
Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 6

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 71,293
Restricted cash and cash equivalents	57,875
Accounts receivable (net)	19,952
Due from other governments	790
Total current assets	149,910
Noncurrent assets:	
Capital assets:	
Land and construction in progress	940,266
Capital assets, net of depreciation	7,527,549
Total capital assets	8,467,815
Total noncurrent assets	8,467,815
Total assets	8,617,725
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	100,174
Due to other funds	98,388
Customer deposits	17,115
Current portion of long-term debt	22,780
Total current liabilities	238,457
Noncurrent liabilities:	
Long-term debt	205,024
Total liabilities	443,481
NET POSITION	
Net investment in capital assets	8,240,011
Unrestricted (deficit)	(65,767)
Total net position	\$ 8,174,244

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

Town of Dover
Statement of Revenues, Expenses and Changes
In Net Position – Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 163,492
Other operating revenue	7,200
Total operating revenues	170,692
OPERATING EXPENSES	
Water and sewer administration	67,405
Water treatment and distribution	76,880
Sewer treatment and distribution	73,669
Depreciation	214,556
Total operating expenses	432,510
Operating loss	(261,818)
NONOPERATING REVENUES (EXPENSES)	
Repayment of CDBG funds	(16,495)
Investment earnings	11
Total nonoperating revenues	(16,484)
Loss before contributions	(278,302)
Capital contributions	323,888
Change in net position	45,586
Total net position, beginning	8,128,658
Total net position, ending	\$ 8,174,244

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

Town of Dover
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020
Exhibit 8

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 182,329
Cash paid for goods and services	(185,948)
Customer deposits received	2,513
Customer deposits returned	(460)
Net cash used by operating activities	(1,566)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	11
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	17,874
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(299,323)
Capital contributions	323,888
Principal paid on long-term debt	(22,780)
Repayment of CDBG funds	(16,495)
Net cash used by capital and related financing activities	(14,710)
Net increase in cash and cash equivalents	1,609
Balances, beginning of year	127,559
Balances, ending of year	\$ 129,168
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (261,818)
Adjustments to reconcile loss to cash used by operations:	
Depreciation	214,556
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	11,637
(Increase) decrease in due from other governments	(287)
Increase (decrease) in accounts payable	32,293
Increase (decrease) in customer deposits	2,053
Total adjustments	260,252
Net cash provided by operating activities	\$ (1,566)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Dover (the “Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town is a municipal corporation that is governed by an elected mayor and a six-member council.

B. Basis of Presentation

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations.

C. **Measurement Focus and Basis of Accounting**

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Fund Financial Statements. Governmental funds are reported using a 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle 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 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 by Craven County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

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

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Also, Powell Bill funds are classified as restricted cash because it can only for the purposes outlined in G.S. 136-41.1 through 136-41.4. Unexpected grant proceeds are restricted for future grant related expenditures.

Town of Dover Restricted Cash

Governmental activities	
General Fund	
Customer deposits	\$ 6,770
Streets	26,259
Project funds	13,142
Total governmental activities	46,171
Business-type activities	
Water and Sewer Fund	
Customer deposits	17,115
Project funds	40,760
Total business-type activities	57,875
Total Restricted Cash	\$ 104,046

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2019. 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.

5. Allowances for Doubtful Accounts

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$500; computer equipment and computer software, \$500; and vehicles, \$2,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	50-100
Machinery and equipment	10-25
Improvements	15
Infrastructure	20
Vehicles	15-60
Furniture and fixtures	10-40
Computer software and equipment	3-10

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does not have any items that meets this criterion. In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position and/or fund balance that applies to a future period and so will not be recognized as revenue until then. The Town has one items that meets the criterion for this category- property taxes receivable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position/Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of two 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:

Restricted Fund Balance – This classification includes amount that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "Restricted 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Net Position/Fund Balances (continued)

arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by law through constitutional provisions or enabling legislation.” RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

Restricted for Streets – Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

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

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

The Town of Dover has adopted a minimum fund balance policy for the General Fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 20% of budgeted expenditures. Any portion of the General Fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Future Accounting Pronouncements – Accounting Standards Issued but Not Yet Effective

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been postponed by 18 months.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Future Accounting Pronouncements – Accounting Standards Issued but Not Yet Effective (continued)

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended*, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments.

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Future Accounting Pronouncements – Accounting Standards Issued but Not Yet Effective (continued)

Earlier application is encouraged and is permitted by topic. The Town is currently reviewing this statement to determine the effect on the Town's financial statements. With the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the effective date of this statement has been extended by one year.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 84, *Fiduciary Activities*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

Earlier application of the provisions addressed in this Statement is encouraged and is permitted to the extent specified in each pronouncement as originally issued. The requirements of this Statement are effective immediately.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 159-34 and 159-33.1 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town failed to provide complete and timely accounting records for the year ended June 30, 2020. The Town's annual audit was submitted late due to turnover in key positions and change of auditor from prior year. The Town will continue to review their procedures and policies to assure that their annual audit is submitted in a timely manner in the future.

The Town is in violation of North Carolina G.S. 159-28(a) which states that all payments of money shall include on its face a certificate stating that instrument has been preaudited. The Town does not sufficiently preaudit all payments of money, purchase orders, or contracts. Turnover in key positions caused the omission of the preaudit certificate on purchase orders and check request. The Town will continue to review their procedures and policies to assure that all instruments have preaudit certification.

B. Excess of Expenditures Over Appropriation

For the year ended June 30, 2020, expenditures made in the water and sewer fund exceeded authorized appropriations made by the governing board at the functional level by the following amounts: water and sewer administration by \$25,454; water treatment and distribution by \$36,969; sewer treatment and distribution by \$22,344; capital outlay by \$8,090 and repayment of CDBG funds by \$16,495 made by the board. Turnover in key positions caused the budget ordinance to not be amended in a timely manner. The Town will continue to review their procedures and policies to assure that expenditures do not exceed authorized amounts. Management and Board will more closely review the budget reports to ensure compliance in future years.

NOTE 3 - DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

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

At June 30, 2020, the Town's deposits had a carrying amount of \$390,362 and a bank balance of \$400,087. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2020, the Town's petty cash fund totaled \$100.

2. Receivables - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

General Fund:	
Garbage collections accounts receivable	\$ 575
Enterprise Fund:	
Water and sewer accounts receivable	11,125
<hr/>	
Total	\$ 11,700
<hr/>	

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

A. Assets

3. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 39,026	\$ -	\$ -	\$ 39,026
Total capital assets not being depreciated	39,026	-	-	39,026
Capital assets being depreciated:				
Buildings	98,120	-	-	98,120
Furniture and fixtures	1,775	-	-	1,775
Other improvements	15,993	-	-	15,993
Machinery and equipment	299,022	-	-	299,022
Computer software	3,904	-	-	3,904
Vehicles and motorized equipment	20,498	-	-	20,498
Total capital assets being depreciated	439,312	-	-	439,312
Less accumulated depreciation for:				
Buildings	37,119	1,204	-	38,323
Furniture and fixtures	1,775	-	-	1,775
Other improvements	4,172	1,014	-	5,186
Machinery and equipment	57,192	13,977	-	71,169
Computer software	3,904	-	-	3,904
Vehicles and motorized equipment	16,716	283	-	16,999
Total accumulated depreciation	120,878	\$ 16,478	\$ -	137,356
Total capital assets being depreciated, net	<u>318,434</u>			<u>301,956</u>
Governmental activities capital assets net	<u>\$ 357,460</u>			<u>\$ 340,982</u>

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

General government	\$ 955
Transportation	3,135
Cultural and recreation	<u>12,388</u>
Total depreciation expense	<u>\$ 16,478</u>

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

3. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 2,344,122	\$ 323,888	\$ 1,891,194	\$ 776,816
Land	163,450	-	-	163,450
Total capital assets not being depreciated	2,507,572	323,888	1,891,194	940,266
Capital assets being depreciated:				
Plant and distribution system	7,806,398	1,904,637	-	9,711,035
Furniture, fixtures, and equipment	23,762	2,646	-	26,408
Total capital assets being depreciated	7,830,160	1,907,283	-	9,737,443
Less accumulated depreciation for:				
Plant and distribution system	1,977,521	213,471	-	2,190,992
Furniture, fixtures, and equipment	17,817	1,085	-	18,902
Total accumulated depreciation	1,995,338	\$ 214,556	\$ -	2,209,894
Total capital assets being depreciated, net	5,834,822			7,527,549
Business-type activities capital assets net	\$ 8,342,394			\$ 8,467,815

B. Liabilities

1. Risk Management

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

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has automatic flood coverage through their insurance with the League of Municipalities. The property is insured up to \$5,000,000 per occurrence with a deductible of \$50,000.

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

2. Long-Term Obligations

a. Installment purchase obligation

Installment purchase obligation at June 30, 2020 is comprised of the following individual issue used for sewer construction:

\$457,939, 2009 ARRA-Capitalization Grants for State Revolving Funds due on May 1 in installments of \$22,780 through May 1, 2030; interest at 0.0% \$ 227,804

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

Year Ending June 30	Business-type activities	
	Principal	Interest
2021	\$ 22,780	\$ -
2022	22,780	-
2023	22,780	-
2024	22,780	-
2025	22,780	-
2026-2030	113,904	-
Total	\$ 227,804	\$ -

Installment purchase obligations from direct borrowings in the amount of \$227,804 include provisions that if the Town is determined to be in default, the full amount of the obligations could become due immediately, at the discretion of the lender.

At June 30, 2020, the Town of Dover has a legal debt margin of \$1,422,130.

NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)

b. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Business-type activities:					
Installment purchase obligation	\$ 250,584	\$ -	\$ 22,780	\$ 227,804	\$ 22,780

3. Interfund balance and transfers

Balances due to/from other funds at June 30, 2020 consist of the following:

Due To	Due From	Amount
General Fund	Water and Sewer Fund	\$ 98,388

The interfund balances are a result of current and prior year’s borrowings between the Water and Sewer Enterprise Fund and General Fund due to the General Fund paying expenses on behalf of the Water and Sewer Enterprise Fund.

C. Fund Balance

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

Total Fund Balance - General Fund	\$ 350,549
Less:	
Stabilization by State Statute	112,031
Streets - Powell Bill	26,259
Remaining Fund Balance	\$ 212,259

NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE 5 – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with nine counties and forty-five other municipalities established the Eastern Carolina Council. The participating governments established the Council to coordinate various funding received from state and federal agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$240 during fiscal year ended June 30, 2020.

NOTE 6 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, certain operations of the Town have been affected. The ability of some residents to make utility and tax payments has and may at times be impacted by the effects of the pandemic, as well as, state shared revenues, local, state and federal grant funding. In response to this event, the Town, through Executive Order of the Governor, suspended its cut-off policies for non-payment of utilities and/or extended due dates and payment options of utilities for residents. Continued effects of the pandemic may result in uncertainties and a negative impact on operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Town of Dover
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes		\$ 57,883	
Penalties and interest		505	
Total	\$ 56,950	58,388	\$ 1,438
Unrestricted intergovernmental			
Local option sales tax		29,407	
Utility franchise tax		16,910	
Beer and wine tax		1,630	
Solid waste disposal tax		289	
Total	45,070	48,236	3,166
Restricted intergovernmental			
Powell Bill allocation		12,170	
Total	12,687	12,170	(517)
Sales and services			
Garbage fees		35,339	
Other services		200	
Total	35,300	35,539	239
Miscellaneous	2,630	59	(2,571)
Total revenues	152,637	154,392	1,755

Town of Dover
Schedule of Revenues, Expenditures, and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government			
Administration			
Salaries and benefits		12,078	
Telephone and postage		2,943	
Supplies and printing		1,777	
Dues		1,926	
Repairs and maintenance		1,256	
Collection fees		424	
Professional fees		23,388	
Insurance		7,431	
Other expenditures		4,013	
Total administration	59,500	55,236	4,264
Elections			
Election expense	3,500	2,082	1,418
Public buildings			
Utilities	1,550	1,722	(172)
Total general government	64,550	59,040	5,510
Transportation			
Salaries and benefits		12,153	
Street lights		8,817	
Repairs and maintenance		21,373	
Departmental supplies		299	
Total transportation	54,087	42,642	11,445
Environmental protection			
Sanitation services	31,500	28,382	3,118
Cultural and recreation			
Other expenditures	2,500	876	1,624
Total expenditures	152,637	130,940	21,697
Revenues over (under) expenditures	-	23,452	23,452
Net change in fund balance	\$ -	23,452	\$ 23,452
Fund balance, beginning		<u>327,097</u>	
Fund balance, ending		<u>\$ 350,549</u>	

Town of Dover
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues			
Charges for services			
Water sales		\$ 69,884	
Sewer sales		93,608	
Other operating revenues		7,200	
Total operating revenues	\$ 152,100	170,692	\$ 18,592
Nonoperating revenues			
Investment earnings		11	
Total nonoperating revenues	245	11	(234)
Total revenues	152,345	170,703	18,358
EXPENDITURES			
Operating expenditures			
Water and sewer administration			
Salaries and benefits		8,108	
Contracted services		23,663	
Other operating expenditures		24,011	
Total water and sewer administration	30,328	55,782	(25,454)
Water treatment and distribution			
Salaries and benefits		4,130	
Utilities		17,220	
Supplies and materials		1,016	
Repairs and maintenance		49,217	
Chemicals		2,683	
Lab expense		2,614	
Total water treatment and distribution	39,911	76,880	(36,969)
Sewage treatment and distribution			
Treatment cost		73,669	
Total sewer treatment and distribution	51,325	73,669	(22,344)
Capital outlay	8,000	16,090	(8,090)

Town of Dover
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
Water and Sewer Fund
For the Year Ended June 30, 2020

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal	22,781	22,780	
Total	22,781	22,780	1
Total operating expenditures	152,345	245,201	(92,856)
Nonoperating expenditures			
Repayment of CDBG funds		16,495	
Total nonoperating expenditures	-	16,495	(16,495)
Total expenditures	152,345	261,696	(109,351)
Revenues over (under) expenditures	\$ -	(90,993)	\$ (90,993)

Reconciliation from budgetary basis to full accrual:

Reconciling items:

Capital Contribution	323,888
Capital outlay	16,090
Bad debts	(11,623)
Debt principal	22,780
Depreciation	(214,556)
Total reconciling items	<u>136,579</u>
Change in net position	<u>\$ 45,586</u>

Town of Dover
2014 CDBG Infrastructure Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Current Years	Total to Date	Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal grant - CDBG	\$ 1,888,548	\$ 1,812,305	\$ 76,243	\$ 1,888,548	\$ -
Total revenues	1,888,548	1,812,305	76,243	1,888,548	-
Expenditures:					
Sewer Improvements					
Planning and design		129,895	2,500	132,395	
Construction - admin		83,871	9,459	93,330	
Construction - inspection		83,330	4,000	87,330	
Legal-appraisal-acquisition		61,698	-	61,698	
Permit fees		11,422	150	11,572	
Miscellaneous		788	-	788	
Construction		1,309,099	54,834	1,363,933	
Total sewer improvements	1,721,835	1,680,103	70,943	1,751,046	(29,211)
Administration					
General administration		90,764	4,620	95,384	
Environmental review		16,400	-	16,400	
Engineering report		25,000	-	25,000	
Reimbursables		38	680	718	
Total administration	181,713	132,202	5,300	137,502	44,211
Total expenditures	1,903,548	1,812,305	76,243	1,888,548	-
Revenues over (under) expenditures	(15,000)	-	-	(15,000)	-
Other Financing Sources:					
Local contribution	15,000	-	-	-	(15,000)
Revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Dover
2015 CDBG Infrastructure Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal grant - CDBG	\$ 776,414	\$ 528,769	\$ 247,645	\$ 776,414	\$ -
Total revenues	776,414	528,769	247,645	776,414	-
Expenditures:					
Water Improvements					
Planning and design		55,782	15,000	70,782	
Construction - admin		31,116	42,145	73,261	
Construction - inspection		35,059	2,015	37,074	
Easements-permits-advertising		17,346	-	17,346	
Property acquisition		11,662	-	11,662	
Construction		327,936	188,485	516,421	
Total water improvements	702,814	478,901	247,645	726,546	(23,732)
Administration					
General administration		20,912	-	20,912	
Environmental review		13,900	-	13,900	
Engineering report		15,056	-	15,056	
Total administration	73,600	49,868	-	49,868	23,732
Total expenditures	776,414	528,769	247,645	776,414	-
Revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Dover
2018 Neighborhood Revitalization Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2020

	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal grant - CDBG	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Total revenues	750,000	-	-	-	(750,000)
Expenditures:					
Rehabilitation	750,000	402	-	402	749,598
Total expenditures	750,000	402	-	402	749,598
Revenues over (under) expenditures	\$ -	\$ (402)	\$ -	\$ (402)	\$ (402)

Town of Dover
Schedule of Ad Valorem Taxes Receivable
June 30, 2020

Fiscal Year	Uncollected Balance June 30, 2019	Additions	Collections and Credits	Uncollected Balance June 30, 2020
2019-2020	\$ -	\$ 62,218	\$ 56,320	\$ 5,898
2018-2019	2,133	-	1,528	605
2017-2018	220	-	35	185
2016-2017	192	-	-	192
2015-2016	120	-	-	120
2014-2015	86	-	-	86
2013-2014	381	-	-	381
2012-2013	282	-	-	282
2011-2012	107	-	-	107
2010-2011	111	-	-	111
2009-2010	139	-	139	-
	<u>\$ 3,771</u>	<u>\$ 62,218</u>	<u>\$ 58,022</u>	<u>7,967</u>
				-
				<u>\$ 7,967</u>
<u>Reconciliation with revenues:</u>				
				\$ 58,388
				(505)
				139
				<u>\$ 58,022</u>

Town of Dover
Analysis of Current Tax Levy
Town-Wide Levy
For the Year Ended June 30, 2020

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 17,564,519	0.35	\$ 61,476	\$ 52,294	\$ 9,182
Discoveries	256,600	0.35	898	898	-
Releases	(44,500)	0.35	(156)	(156)	-
Total property valuation	<u>\$ 17,776,619</u>				
Net levy			\$ 62,218	\$ 53,036	\$ 9,182
Uncollected taxes at June 30, 2020			5,898	5,898	-
Current year's tax collected			<u>\$ 56,320</u>	<u>\$ 47,138</u>	<u>\$ 9,182</u>
Current levy collection percentage			<u>90.52%</u>	<u>88.88%</u>	<u>100.00%</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the Board of Alderman
Town of Dover, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dover, North Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statement, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated July 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

deficiencies in internal controls, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (2020-1, 2020-2, 2020-3 and 2020-4).

Compliance and Other Matters

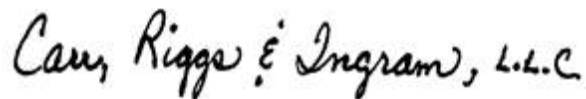
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-5 and 2020-6.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the schedule of findings and responses. The Town's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



July 29, 2021
New Bern, North Carolina

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2020-1 Key account reconciliations

Criteria: To ensure accurate and timely financial reporting, management must reconcile several key account areas on a routine basis. Reconciling these accounts ensure the general ledger reflects changes in financial conditions and provides accurate financial reporting. Accurate and timely adjustments to the general ledger from account reconciliations are essential to ensure accurate and timely financial functions can be performed.

Condition: Significant key account areas were not reconciled or reviewed during the June 30, 2020 fiscal year. These included the following:

- Bank accounts – The bank statements for the Town’s CDBG programs were not properly reconciled for during the year. As a result, errors were observed, including improper recording of revenues and expenses.

Effect: The following were noted as a result of the conditions noted above:

- Bank account reconciliations – As a result of the accounts not being reconciled, multiple entries were required to adjust operating account balances for the various CDBG projects.

Cause: The primary financial reporting team within the Town did not have significant experience with proper processes regarding reconciliations as staff members were assigned new roles and responsibilities. As a result, several tasks and processes were not performed timely.

Recommendation: The Town should create a monthly financial close listing, including all key accounts and reconciliations that are required. When processing each financial close, the Town should identify the individuals with information necessary to process the financial close, and establish a routine timeframe for closing each month.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where reconciliations are required and adding them to the monthly and quarterly standard accounting close processes. Management is in the process of reorganizing functions within the finance department that will improve processes and ensure key accounts are reconciled timely and accurately. Implementation of new controls have been addressed and are currently in place.

Town of Dover
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-2 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-34(a) and G.S. 159-33.1 states that the unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year and other annual and semi-annual reports are filed timely, respectively.

Condition: The Town's books were not available and in order in a timely manner in accordance with state statutes. Turnover in key positions caused the books to not be available and in order in a timely manner.

Effect: The Town's audit and annual financial information report was not able to be prepared in a timely manner.

Cause: Turnover in key positions caused the books to not be available and in order in a timely manner.

Recommendation: The Town should continue to provide training for the finance department staff related to North Carolina General Statutes and governmental auditing standards.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor their reporting requirements and timely completion of their audit and other additional reporting requirements.

Town of Dover
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-3 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-28(a) states that all payments of money shall include on its face a certificate stating that instrument has been preaudited. The certificate should be signed by the finance officer and substantially include the following form: "This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act."

Condition: The Town does not sufficiently preaudit all payments of money, purchase orders, or contracts.

Effect: The Town could potentially exceed budgetary limits due to not properly preauditing expenditures.

Cause: Turnover in key positions caused the omission of the preaudit certificate on purchase orders and check request.

Recommendation: The Town should continue to provide training for the finance department staff related to North Carolina General Statutes and governmental auditing standards.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor the requirements related to preaudit certification.

Town of Dover
Schedule of Findings and Responses
For the Year Ended June 30, 2020

Significant Deficiency

2020-4 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 15-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the current fiscal year sums obligated by the transactions for the current fiscal year.

Condition: For the fiscal year ended June 30, 2020, expenditures made in the Water and Sewer Fund exceeded the authorized appropriations made at the functional level by the governing board in the following amounts: water and sewer administration by \$25,454; water treatment and distribution by \$36,969; sewer treatment and distribution by \$22,344; capital outlay by \$8,090 and repayment of CDBG funds by \$16,495.

Effect: The Town spent monies that were not properly obligated and appropriated.

Cause: Turnover in key positions caused the budget ordinance to not be amended in a timely manner.

Recommendation: The Town should continue to provide training for the finance department staff related to North Carolina General Statutes and governmental auditing standards.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor the requirements related to the budget process.

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Noncompliance

2020-5 Noncompliance with Community Development Block Grant – Infrastructure Fund

Criteria: Community Development Block Grant #14-I-2653 requires that income eligibility documentation be maintained and available for monitoring upon request by the North Carolina Department of Environmental Quality.

Condition: The Town was not able to provide income eligibility documentation to the North Carolina Department of Environmental Quality related to four residential addresses.

Effect: The Town was required to pay back to the North Carolina Department of Commerce \$16,495 after monitoring was conducted by the North Carolina Department of Environmental Quality.

Cause: Turnover in key positions caused the lack of proper documentation being maintained and improper monitoring of the program compliance requirements.

Recommendation: The Town should continue to provide training related to federal and state award compliance requirements.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor the compliance requirements of federal and state awards.

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Noncompliance

2020-6 Noncompliance with Community Development Block Grant – Infrastructure Fund

Criteria: Community Development Block Grant – Infrastructure Fund requires that the Town shall expend all requisitioned funds for the purpose of paying the costs of the project within three banking days following the receipt of the funds from the state.

Condition: The Town had several instances in which payment was not made to vendors within three banking days.

Effect: The Town could potential face monetary and administrative actions for noncompliance including, but not limited to repayment of funds and loss of CDBG funding.

Cause: Turnover in key positions caused the lack of proper documentation being maintained and improper monitoring of the program compliance requirements.

Recommendation: The Town should continue to provide training related to federal and state award compliance requirements.

Views of responsible officials: The Town agrees with this finding and has set forth a corrective action plan.

Corrective action: The Town has begun identifying areas where additional training is available and will continue to monitor the compliance requirements of federal and state awards.