

***REVIEWED***

***By SLGFD at 1:51 pm, May 18, 2022***

TOWN OF AULANDER  
AULANDER, North Carolina

FINANCIAL STATEMENTS  
Year Ended June 30, 2021

TOWN OF AULANDER

TOWN COUNCIL

Larry Drew, Mayor

Bryan Morings, Mayor Pro-Tem

Jason Tinkham, Councilor

Jerome Dail, Councilor

Renee' Draper, Councilor

Bobbie Parker, Councilor

ADMINISTRATIVE OFFICERS

Lynne Conner, Finance Officer

**Town of Aulander, North Carolina**  
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**June 30, 2021**

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## **Independent Auditor's Report**

To the Honorable Mayor and  
Board of Commissioners  
Town of Aulander  
Aulander, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Aulander, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise 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.

### ***Auditor's 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 from 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 auditor's 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 auditor considers 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 Audit significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

*Members*  
*American Institute of CPAs – N.C. Association of CPAs – AICPA Division of Firms*

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Aulander, North Carolina, as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, and as a Percentage of Covered Payroll be presented to supplement the basic financial statements. Such information, although not a required 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 of Aulander, North Carolina. The combining and 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 combining and individual fund financial 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund financial statements, budgetary schedules, and other schedules, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, on our consideration of the Town of Aulander'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Aulander's internal control over financial reporting and compliance.

*Thompson, Price, Scott, Adams & Co., PA*  
Wilmington, North Carolina  
March 28, 2022

**Town of Aulander  
Management's Discussion and Analysis  
June 30, 2021**

As management of the Town of Aulander, we offer readers of the Town of Aulander's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

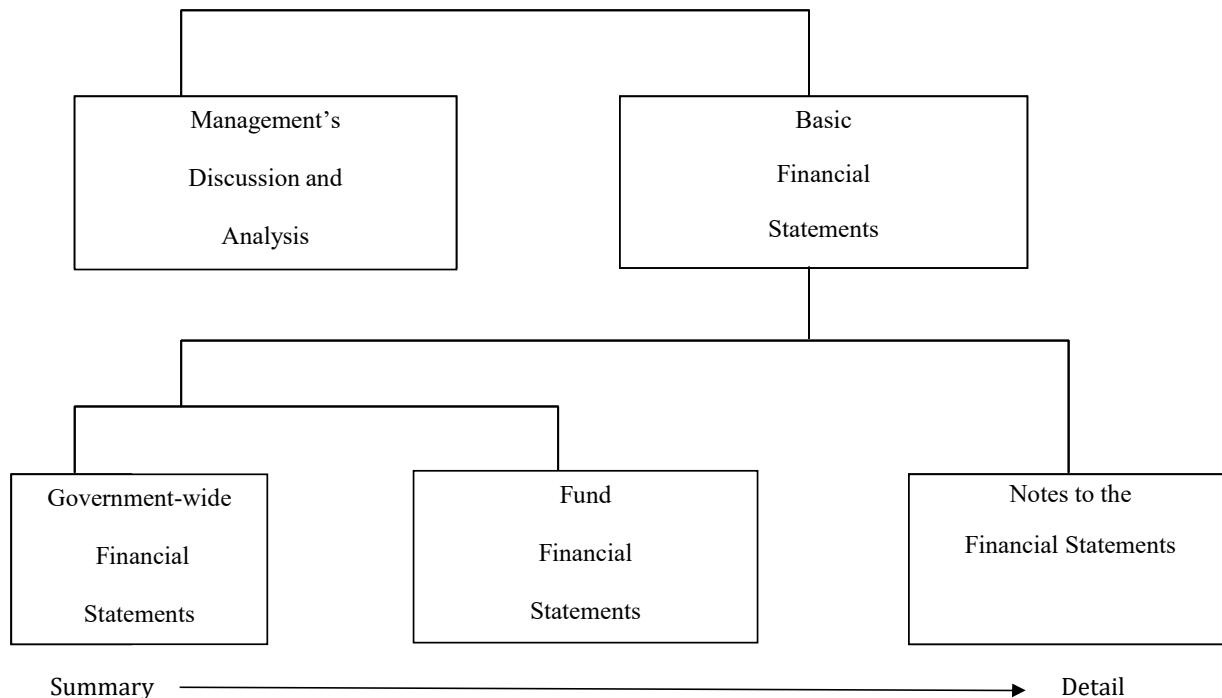
- The assets and deferred outflows of resources of the Town of Aulander exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$6,382,751 (net position).
- The government's total net position decreased by \$43,796, due to a increase in business-type activities net position.
- As of the close of the current fiscal year, the Town of Aulander's governmental funds reported combined ending fund balances of \$1,049,030 an decrease of \$105,327 in comparison with the prior year. Approximately 19% percent of this total amount, or \$199,645 is non spendable, restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$849,385, or 86% of total general fund expenditures for the fiscal year.
- The Town of Aulander's total installment debt increase by \$69,699 during the current fiscal year.

**Overview of the Financial Statements**

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

**Required Components of Annual Financial Report**

**Figure 1**





## Basic Financial Statements

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

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

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 additional details about the Town's individual funds. Budgetary information required by the North Carolina General Statutes can also be found in this part of the statements.

## Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax 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 water and sewer services offered by the Town of Aulander.

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 are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Aulander, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Aulander can be divided into two categories: governmental funds and proprietary funds.

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

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow Exhibit 8 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information.

**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 government and other holders of publicly held U.S. Treasury Securities.

#### Government-Wide Financial Analysis

**Town of Aulander's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,085,933	\$ 1,212,348	\$ 497,745	\$ 487,021	\$ 1,583,678	\$ 1,699,369
Capital assets	968,228	802,759	4,419,144	4,557,351	5,387,372	5,360,110
Deferred outflows of resources	30,101	20,401	43,585	37,047	73,686	57,448
Total assets	2,084,262	2,035,508	4,960,474	5,081,419	7,044,736	7,116,927
Long-term liabilities outstanding	191,078	39,331	390,819	55,978	581,897	95,309
Other liabilities	39,650	57,917	34,393	224,374	74,043	282,291
Deferred inflows of resources	2,542	4,057	3,503	9,832	6,045	13,889
Total liabilities	233,270	101,305	428,715	290,184	661,985	391,489
Net position:						
Net investment in capital assets	811,249	739,100	4,086,814	4,201,099	4,898,063	4,940,199
Restricted	199,645	150,794	-	-	199,645	150,794
Unrestricted	840,098	998,477	444,945	249,485	1,285,043	1,247,962
Total net position	\$ 1,850,992	\$ 1,888,371	\$ 4,531,759	\$ 4,450,584	\$ 6,382,751	\$ 6,338,955

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Aulander exceeded liabilities and deferred inflows by \$6,382,751 as of June 30, 2021. The Town's net position increased by \$43,796 for the fiscal year ended June 30, 2021. However, the largest portion \$4,898,063 (77%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Aulander uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Aulander'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 to the Town of Aulander's net position \$199,645 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,285,043 (20%) is unrestricted.

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

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 96.44%.
- Increase in expenses.

**Town of Aulander**  
**Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program Revenues						
Charges for Services	\$ 113,017	\$ 106,094	\$ 436,830	\$ 436,311	\$ 549,847	\$ 542,405
Operating grants and contributions	55,188	93,572	-	-	55,188	93,572
Capital grants and contributions	-	-	201,554	482,046	201,554	482,046
General revenues:						
Property taxes	263,218	203,902	-	-	263,218	203,902
Other taxes	281,443	309,495	-	-	281,443	309,495
Investment earnings	830	7,631	272	2,029	1,102	9,660
Other	36,631	58,687	-	3,728	36,631	62,415
<b>Total revenues</b>	<b>750,327</b>	<b>779,381</b>	<b>638,656</b>	<b>924,114</b>	<b>1,388,983</b>	<b>1,703,495</b>
<b>Expenses:</b>						
General government	230,863	187,717	-	-	230,863	187,717
Public Safety	181,088	118,178	-	-	181,088	118,178
Transportation	175,353	137,752	-	-	175,353	137,752
Environmental protection	100,390	66,067	-	-	100,390	66,067
Cultural and recreation	94,981	77,539	-	-	94,981	77,539
Interest on long-term debt	5,031	3,529	-	-	5,031	3,529
Water and Sewer	-	-	557,481	757,677	557,481	757,677
<b>Total expenses</b>	<b>787,706</b>	<b>590,782</b>	<b>557,481</b>	<b>757,677</b>	<b>1,345,187</b>	<b>1,348,459</b>
Increase (decrease) in net position	(37,379)	188,599	81,175	166,437	43,796	355,036
Net position, beginning	1,888,371	1,699,772	4,450,584	4,284,147	6,338,955	5,983,919
Net position, ending	\$ 1,850,992	\$ 1,888,371	\$ 4,531,759	\$ 4,450,584	\$ 6,382,751	\$ 6,338,955

**Governmental activities.** Governmental activities decreased the Town's net position by \$37,379. Key elements of this increase are as follows:

- Increase in expenses.

**Business-type activities.** Business-type activities increased the Town of Aulander's net position by \$81,175. Key elements of this decrease are as follows:

- Decrease in expenses.

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

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

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

The general fund is the chief operating fund of the Town of Aulander. At the end of the current fiscal year, Town of Aulander's unassigned fund balance in the General Fund was \$849,385, while total fund balance reached \$1,049,030. The Town currently has an available fund balance of 86% of general fund expenditures, while total fund balance represent 106% of the same amount.

At June 30, 2021 the governmental funds of Town of Aulander reported a combined fund balance of \$1,049,030, with a net decrease in fund balance of \$105,327.

**General Fund Budgetary Highlights.** During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Proprietary Funds.** The Town of Aulander'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 \$444,945. The total change in net position for the Water and Sewer Fund was \$81,175. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Aulander's business-type activities.

### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Aulander's investment in capital assets for its governmental and business-type activities as of June 30, 2021 totals \$5,387,372 (net of accumulated depreciation). These assets include buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following:

- Purchase of vehicle.
- Construction in progress.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 32,290	\$ 32,290	\$ 195,015	\$ 195,015	\$ 227,305	\$ 227,305
Construction in progress	-	-	468,237	335,018	468,237	335,018
Buildings	124,773	140,807	-	-	124,773	140,807
Equipment	237,659	302,635	194,710	239,664	432,369	542,299
Vehicles	358,352	100,133	7,258	10,550	365,610	110,683
Other improvements	215,153	226,594	8,178	8,538	223,331	235,132
Plant and distribution systems	-	-	3,545,747	3,768,567	3,545,747	3,768,567
<b>Total</b>	<b>\$ 968,227</b>	<b>\$ 802,460</b>	<b>\$ 4,419,145</b>	<b>\$ 4,557,352</b>	<b>\$ 5,387,372</b>	<b>\$ 5,359,812</b>

Additional information regarding the Town of Aulander's capital assets can be found in the notes of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2021 the Town of Aulander had total debt outstanding of \$193,921

**Town of Aulander  
Outstanding Debt  
Figure 5**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Direct placement installment purchase	\$ 156,979	\$ 63,358	\$ -	\$ -	\$ 156,979	\$ 63,358
NC Clean Water Revolving Loan	-	-	298,711	320,047	298,711	320,047
NC Revolving Loan	-	-	33,619	36,205	33,619	36,205
<b>Total</b>	<b>\$ 156,979</b>	<b>\$ 63,358</b>	<b>\$ 332,330</b>	<b>\$ 356,252</b>	<b>\$ 489,309</b>	<b>\$ 419,610</b>

**Town of Aulander's Outstanding Debt**

North Carolina General Statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Aulander is \$2,501,937.

Additional information regarding the Town of Aulander's long-term debt can be found in the notes of the Basic Financial Statements.

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

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

**Governmental Activities.** Property taxes are expected to remain the same as the current tax rate. The Town will use increases in revenues to finance programs currently in place. No new revenues are anticipated and other current sources remain constant. Management continually seeks grants and funding from outside sources to supplement the Town's revenue streams.

**Business-type Activities.** The water and sewer rates remained the same.

### **Requests for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Lynne Conner Finance Director, Town of Aulander, 119 S. Commerce St. Aulander, NC 27805 or call Town Hall at 252-345-3541.

**Town of Aulander, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 864,018	\$ 612,100	\$ 1,476,118
Restricted cash	41,230	7,142	48,372
Taxes receivable	22,270	-	22,270
Receivables (net)	36,859	59	36,918
Internal balances	121,556	(121,556)	-
Capital assets:			
Land, improvements, and construction in progress	32,290	663,252	695,542
Other capital assets, net of depreciation	935,938	3,755,892	4,691,830
Total capital assets	968,228	4,419,144	5,387,372
Total assets	2,054,161	4,916,889	6,971,050
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals - LGERS	30,101	43,585	73,686
Total deferred outflows of resources	30,101	43,585	73,686
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued expenses	14,633	6	14,639
Compensated Absences	2,163	3,323	5,486
Installment purchases - current	22,854	23,922	46,776
Payable from restricted assets	-	7,142	7,142
Long-term liabilities:			
Installment purchases - noncurrent	134,125	308,408	442,533
Net pension liability (LGERS)	56,953	82,411	139,364
Total liabilities	230,728	425,212	655,940
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals - LGERS	2,542	3,503	6,045
Total deferred inflows of resources	2,542	3,503	6,045
<b>NET POSITION</b>			
Net investment in capital assets	811,249	4,086,814	4,898,063
Restricted for:			
Stabilization by State Statue	158,415	-	158,415
Streets	41,230	-	41,230
Unrestricted (deficit)	840,098	444,945	1,285,043
Total net position	\$ 1,850,992	\$ 4,531,759	\$ 6,382,751

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

**Town of Aulander, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 230,863	\$ 8,960	\$ -	\$ -	\$ (221,903)	\$ -	\$ (221,903)
Public safety	181,088	3,273	30,000	-	(147,815)	-	(147,815)
Transportation	175,353	-	25,188	-	(150,165)	-	(150,165)
Environmental protection	100,390	78,888	-	-	(21,502)	-	(21,502)
Cultural and recreation	94,981	21,896	-	-	(73,085)	-	(73,085)
Interest	5,031	-	-	-	(5,031)	-	(5,031)
Total governmental activities	787,706	113,017	55,188	-	(619,501)	-	(619,501)
Business-type activities:							
Water and Sewer	557,481	436,830	-	201,554	-	80,903	80,903
Total Government	<u>\$ 557,481</u>	<u>\$ 549,847</u>	<u>\$ 55,188</u>	<u>\$ 201,554</u>			
General revenues:							
Taxes:							
Property taxes, levied for general purpose					263,218	-	263,218
Local option sales tax					214,960	-	214,960
Other taxes and licenses					66,483	-	66,483
Investment earnings, unrestricted					830	272	1,102
Miscellaneous, unrestricted					36,631	-	36,631
Total general revenues, special items, and transfers					582,122	272	582,394
Change in net position					(37,379)	81,175	43,796
Net position-beginning					1,888,371	4,450,584	6,338,955
Net position-ending					<u>\$ 1,850,992</u>	<u>\$ 4,531,759</u>	<u>\$ 6,382,751</u>

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



**Town of Aulander, North Carolina**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2021**

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 864,018
Restricted cash	41,230
Taxes receivables, net	22,270
Account receivables, net	36,859
Due from other funds	121,556
Total assets	<u>1,085,933</u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable and accrued liabilities	14,633
Total liabilities	<u>14,633</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Taxes	22,270
Total deferred inflows of resources	<u>22,270</u>
Fund balances:	
Reserved for:	
Streets - Powell Bill	41,230
Stabilization by State Statute	158,415
Unassigned	849,385
Total fund balances	<u>1,049,030</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,085,933</u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	968,228
Liabilities for earned revenues considered deferred inflows of resources in fund statements	22,270
Deferred outflows of resources related to pensions are not reported in the funds	30,101
Deferred inflows of resources related to pensions are not reported in the funds	(2,542)
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds (Note 4).	
Installment purchases	(156,979)
Compensated absences	(2,163)
Net pension liability	<u>(56,953)</u>
Net position of governmental activities	<u>\$ 1,850,992</u>

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

**Town of Aulander, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2021**

	<u><b>General Fund</b></u>
<b>REVENUES</b>	
Ad valorem taxes	\$ 260,027
Unrestricted intergovernmental	281,443
Restricted intergovernmental	55,188
Permits and fees	12,232
Sales and services	100,784
Investment earnings	830
Miscellaneous	36,631
Total revenues	<u>747,135</u>
<b>EXPENDITURES</b>	
Current:	
General government	186,950
Public safety	442,968
Transportation	146,138
Environmental protection	86,889
Cultural and recreational	78,107
Debt service	47,965
Total expenditures	<u>989,017</u>
Excess (deficiency) of revenues over expenditures	<u>(241,882)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Installment purchase proceeds	136,555
Total other financing sources and uses	<u>136,555</u>
Net change in fund balance	(105,327)
Fund balances-beginning	1,154,357
Fund balances-ending	<u><u>\$ 1,049,030</u></u>

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

**Town of Aulander, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

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

Net changes in fund balances - total governmental funds	\$	(105,327)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	307,485		
Depreciation Expenses	<u>(141,716)</u>		165,769

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities:		9,296
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues		3,191
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension expense		(15,703)	
Compensated absences		<u>(985)</u>	

Total changes in net position of governmental activities	\$	<u>56,241</u>
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**Town of Aulander, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

	Original	Final	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Ad valorem taxes	\$ 292,000	\$ 292,000	\$ 260,027	\$ (31,973)
Unrestricted intergovernmental	242,000	242,000	281,443	39,443
Restricted intergovernmental	30,000	30,000	55,188	25,188
Permits and fees	22,500	22,500	12,232	(10,268)
Sales and services	76,000	76,000	100,784	24,784
Investment earnings	-	-	830	830
Miscellaneous	16,025	16,025	36,631	20,606
Total revenues	<u>678,525</u>	<u>678,525</u>	<u>747,135</u>	<u>68,610</u>
<b>Expenditures</b>				
Current:				
General government	171,970	171,970	186,950	(14,980)
Public safety	206,627	206,627	442,968	(236,341)
Transportation	145,050	145,050	146,138	(1,088)
Environmental protection	138,515	138,515	86,889	51,626
Cultural and recreational	55,450	55,450	78,107	(22,657)
Debt service	22,600	22,600	47,965	(25,365)
Total expenditures	<u>740,212</u>	<u>740,212</u>	<u>989,017</u>	<u>(248,805)</u>
Revenues over (under) expenditures	(61,687)	(61,687)	(241,882)	(180,195)
Other financing sources (uses):				
Installment proceeds	138,784	138,784	136,555	(2,229)
Fund Balance Appropriated	<u>(77,097)</u>	<u>(77,097)</u>	<u>-</u>	<u>77,097</u>
Total other financing sources (uses)	<u>61,687</u>	<u>61,687</u>	<u>136,555</u>	<u>74,868</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(105,327)	<u>\$ (105,327)</u>
Fund Balance, beginning			1,154,357	
Fund Balance, ending			<u>\$ 1,049,030</u>	

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

**Town of Aulander, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**June 30, 2021**

	<b>Major Enterprise Fund</b>
	<b>Water and Sewer</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 612,100
Restricted cash and cash equivalents	7,142
Accounts receivable	59
Total current assets	<u>619,301</u>
Capital assets:	
Capital assets, net of depreciation	<u>4,419,144</u>
Total capital assets	<u>4,419,144</u>
Total assets	<u>5,038,445</u>
Deferred outflows of resources	<u>43,585</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	6
Due to other fund	121,556
Compensated Absences	3,323
Installment purchases - current	23,922
Noncurrent liabilities:	
Installment purchases - noncurrent	308,408
Net pension liability (LGERS)	82,411
Liabilities payable from restricted assets:	
Deposits	<u>7,142</u>
Total liabilities	<u>546,768</u>
Deferred inflows of resources	<u>3,503</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,086,814
Unrestricted	444,945
Total net position	<u><u>\$ 4,531,759</u></u>

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

**Town of Aulander, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Fund</b>
	<u>Water and Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 400,484
Other Operating Revenues	<u>36,346</u>
<b>Total operating revenues</b>	<u>436,830</u>
<b>OPERATING EXPENSES</b>	
Water & sewer operations	286,055
Depreciation	<u>271,426</u>
<b>Total operating expenses</b>	<u>557,481</u>
<b>Operating income (loss)</b>	<u>(120,651)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue	<u>272</u>
<b>Total nonoperating revenue (expenses)</b>	<u>272</u>
<b>Income (loss) before contributions and transfers</b>	(120,379)
Capital contributions	<u>201,554</u>
<b>Change in net position</b>	81,175
<b>Net position - beginning</b>	<u>4,450,584</u>
<b>Net position - ending</b>	<u><u>\$ 4,531,759</u></u>

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

**Town of Aulander, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**

Exhibit 8

	<b>Major Enterprise Fund</b>
	<u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 436,830
Cash Paid for Goods and Services	(250,533)
Cash Paid to or on behalf of employees for services	(155,105)
Net Cash Used by Operating Activities	<u>31,192</u>
<b>Cash Flows form Non-Capital and Related Financing Activities</b>	
Due to (from) other funds	<u>121,556</u>
Net Cash Used by Non-Capital and Related Financing Activities	<u>121,556</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments	(23,922)
Acquisition and construction of capital assets	(133,219)
Capital contributions	<u>201,554</u>
Net Cash Used by Capital and Related Financing Activities	<u>44,413</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	<u>272</u>
Net Increase (Decrease) in Cash and Cash Equivalents	197,433
Cash and Cash Equivalents, July 1	<u>421,809</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 619,242</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	<u>(120,651)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	271,426
Changes in Assets and Liabilities:	
(Increase) Decrease	
in Receivables and other assets	65,153
in Deferred outflows of resources for pensions	(14,549)
Increase (Decrease)	
in Accounts Payable and Accrued Liabilities	(163,826)
in Customer Deposits	(29,478)
in Compensated Absences	(1,044)
in Deferred inflows of resources for pensions	(2,272)
in net pension liability	<u>26,433</u>
Total Adjustments	<u>151,843</u>
Net cash provided by operating activities	<u><u>\$ 31,192</u></u>

**Town of Aulander, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2021**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Aulander conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

**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 funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Aulander because the tax is levied by the 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Special Revenue Grant Project Fund, and the Sewer Capital Project Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than 10%. The governing board must approve all amendments. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the 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 is made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable, and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

3. Restricted Assets

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

Town of Aulander Restricted Cash

## Governmental Activities

General Fund	Streets	\$ 41,230
Total governmental activities		<u>41,230</u>

## Business-type Activities

Water and Sewer Fund	Customer deposits	7,142
Total Business-type Activities		<u>7,142</u>

Total Restricted Cash		<u>\$ 48,372</u>
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4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first in, first out), which approximates market. The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories are expensed when consumed rather than when purchased.

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

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. 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 acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	20
Vehicles	6
Furniture and equipment	10
Computer software and equipment	3

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town does have one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has only two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, 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.

10. Compensated Absences

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

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

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

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 total unexpended Powell Bill funds.

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

Committed for Economic Development - portion of fund balance assigned by the board for economic development.

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

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the manager to modify the appropriations by resource or appropriation within funds up to \$100,000.

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

The Town of Aulander 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.

## 12. Defined Benefit Cost - Sharing Plans

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

II. Stewardship, Compliance, and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with North Carolina General Statutes

N.C. General Statute 159-34 Timeliness of audit submission.

N.C. General Statute 159-28 Pre-audit certification

2. Contractual Violations

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for several departments in the following funds:

General Fund Departments:

General government	\$	14,980
Public safety		236,341
Transportation		1,088
Cultural and recreational		22,657
Debt service		25,365

Water and Sewer Fund:

Debt service	\$	2,572
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III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town. 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 have no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,162,503 and a bank balance of \$1,243,912. Of the bank balance, \$250,000 was covered by the federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the Town of Aulander had \$361,987 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Receivables - Allowances for Doubtful Accounts

The Town did not have any allowance for doubtful accounts.

4. Capital Assets**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 32,290	\$ -	\$ -	\$ 32,290
Total capital assets not being depreciated	32,290	-	-	32,290
<b>Capital assets being depreciated:</b>				
Buildings	641,365	-	-	641,365
Equipment	769,025	-	-	769,025
Vehicles	968,608	307,485	-	1,276,093
Other improvements	286,036	-	-	286,036
Total capital assets being depreciated	2,665,034	307,485	-	2,972,519
<b>Less accumulated depreciation for:</b>				
Buildings	500,558	16,034	-	516,592
Equipment	466,390	64,976	-	531,366
Vehicles	868,475	49,265	-	917,740
Other improvements	59,442	11,441	-	70,883
Total accumulated depreciation	1,894,865	141,716	-	2,036,581
Total capital assets being depreciated, net	770,169			935,938
<b>Governmental activity capital assets, net</b>	<u>\$ 802,459</u>			<u>\$ 968,228</u>

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

General government	\$ 36,521
Public safety	45,605
Transportation	29,215
Cultural and recreational	13,501
Environmental protection	16,874
Total depreciation expense	<u>\$ 141,716</u>

**Business-Type Activities:**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water and Sewer Enterprise Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 195,015	\$ -	\$ -	\$ 195,015
Construction in progress	335,018	133,219	-	468,237
Total capital assets not being depreciated	530,033	133,219	-	663,252
<b>Capital assets being depreciated:</b>				
Equipment	584,774	-	-	584,774
Vehicles	54,401	-	-	54,401
Improvements	8,997	-	-	8,997
Plant and distribution systems	8,057,014	-	-	8,057,014
Total capital assets being depreciated	8,705,186	-	-	8,705,186
<b>Less accumulated depreciation for:</b>				
Equipment	345,110	44,954	-	390,064
Improvements	459	360	-	819
Vehicles	43,851	3,292	-	47,143
Plant and distribution systems	4,288,447	222,820	-	4,511,267
Total accumulated depreciation	4,677,867	271,426	-	4,949,293
Total capital assets being depreciated, net	4,027,319			3,755,893
<b>Business-type activities capital assets, net</b>	<u>\$ 4,557,352</u>			<u>#####</u>

**B. Liabilities**

**1. Pension Plan and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

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

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town's contractually required contribution rate for the year ended June 30, 2021, 10.19% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$23,239 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$139,364 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.0039%, which was an increase of 0.00041% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$45,094. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 17,599	\$ -
Changes of assumptions	10,371	
Net difference between projected and actual earnings on pension plan investments	19,612	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	2,865	6,045
Town's contributions subsequent to the measurement date	23,239	-
Total	<u>\$ 73,686</u>	<u>\$ 6,045</u>

\$23,239 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 10,910
2023	17,175
2024	10,513
2025	5,804
2025	-
Thereafter	-
	<u>\$ 44,402</u>

*Actuarial Assumptions*. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary Increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of position plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100%</u>	



The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.00 percent, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate:

	1 % Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 282,754	\$ 139,364	\$ 20,196

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

d. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

Deferred outflows reported on the Statement of Net Position:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 23,239
Differences between expected and actual experience	17,599
Changes of assumptions	10,371
Net difference between projected and actual earnings on pension plan investments	19,612
Changes in proportion and differences between Town's contributions and proportionate share of contributions	2,865
Total	<u>\$ 73,686</u>

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

	Statement of Net Position	General Fund Balance Sheet
Pension Deferrals	\$ 6,045	\$ -
Taxes Receivable less penalties (General Fund)	-	22,270
Total	<u>\$ 6,045</u>	<u>\$ 22,270</u>

**4. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town officials that have access to funds are bonded under a blanket bond for \$16,000. The finance officer is individually bonded for \$50,000.

**5. Claims, Judgments, and Contingent Liabilities**

No claims or judgments existed as of June 30, 2021.

**6. Long Term Obligations****a. Installment Purchases****Governmental Activities****USDA - Depot Loan I**

Governmental Activities:

\$79,000 installment purchase dated June 15, 2006 for the purchase of a new garbage truck in annual installments of \$7,168 including interest at 4.125% through October 2022	\$ 11,420
\$24,594 installment purchase dated June 12, 2020 for the purchase of a new police car in annual installments of \$6,148 including interest at 2.25% through June 2024.	18,999
\$136,555 installment purchase dated September 14, 2020 with Southern Bank for Commercial Tanker in annual installments of \$13,655 including interest at 2.68% through September 2031.	126,560
Total Governmental Activities	<u>\$ 156,979</u>

Business-Type Activities:

\$51,722, loan from the NC Revolving Loan Fund with no interest for the upgrade of the Town's wastewater Collection System with no interest, issued April 16, 2015, estimated repayment will be due in 20 annual principal installments of \$2,586, with a final payment due May 1, 2034. The Town received a principal forgiveness of \$154,123 to reduce the loan amount from \$205,845 to \$51,722 in 2015.	\$ 33,619
\$426,729, loan from the NC Clean Water Revolving Loan Fund, with no interest for the upgrade of the Town's Wastewater Collection System Improvements, estimated repayment will be due in 20 annual principal installments of \$21,336, with a final	298,711
Total Business-Type Activities	<u>\$ 332,330</u>

The future minimum payments of the direct placement installment purchases as of June 30, 2021 are as follows:

Year Ended	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 22,854	\$ 4,117	\$ 23,922	\$ -
2023	21,106	3,606	23,922	-
2024	18,437	2,824	23,922	-
2025	11,120	2,535	23,922	-
2026	11,591	2,064	23,922	-
2027-2031	62,238	6,037	119,610	-
2032-2036	9,633	85	93,110	-
Total	<u>\$ 156,979</u>	<u>\$ 21,268</u>	<u>\$ 332,330</u>	<u>\$ -</u>

d. Changes in Long-Term Liabilities

	Balance 1-Jul-19	Increases	Decreases	Balance 30-Jun-20	Current Portion
<b>Governmental activities:</b>					
Direct Placement Installment Purchases	\$ 63,358	\$ 136,555	\$ (42,934)	\$ 156,979	\$ 22,854
Compensated absences	1,178	985	-	2,163	2,163
Net pension liability (LGRS)	39,331	17,622	-	56,953	-
Total Governmental Activities	<u>\$ 103,867</u>	<u>\$ 155,162</u>	<u>\$ (42,934)</u>	<u>\$ 216,095</u>	<u>\$ 25,017</u>
<b>Business-type activities:</b>					
Water and Sewer Fund					
NC Clean Water Loan	\$ 320,047	\$ -	\$ (21,336)	\$ 298,711	\$ 21,336
NC State Revolving Loan	36,205	-	(2,586)	33,619	2,586
Compensated Absences	4,367	-	(1,044)	3,323	3,323
Net pension liability (LGRS)	55,978	26,433	-	82,411	-
Total Water and Sewer Fund	<u>\$ 416,597</u>	<u>\$ 26,433</u>	<u>\$ (24,966)</u>	<u>\$ 418,064</u>	<u>\$ 27,245</u>

At June 30, 2021, the Town of Aulander had a legal debt margin of \$2,501,937.

C. Interfund Balances and Activitya. Interfund Balances

Balances due to/from other funds at June 30, 2021, consist of the following:

Due to the General Fund for the allocation of cost from the:

Water Fund \$ 121,556

Balance is for operating expenditures paid on the Water Fund's behalf.

IV. Related Party Transactions

None.

V. Summary Disclosure of Significant ContingenciesFederal 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 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 monies.

D. Fund Balance

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

<b>Total fund balance - General Fund</b>	<b>\$ 1,049,030</b>
<b>Less:</b>	
<b>Stabilization by State Statute</b>	158,415
<b>Streets - Powell Bill</b>	41,230
<b>Remaining Fund Balance</b>	<b>\$ 849,385</b>

VII. Significant Effects of Subsequent Events

There are no subsequent events that would have a material effect on the financial statements. Subsequent events have been analyzed through the date that the financial statements were available to be issued.

**Town of Aulander, North Carolina**  
**Town of Aulander's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years\***

<b>Local Government Employees' Retirement System</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Town's proportion of the net pension liability (asset) (%)	0.0039%	0.00349%	0.00362%	0.00336%	0.00400%	0.00362%	0.00347%	0.00328%
Town's proportion of the net pension liability (asset) ()	\$ 139,364	\$ 95,309	\$ 85,879	\$ 51,331	\$ 84,893	\$ 16,246	\$ (20,464)	\$ 38,572
Town's covered-employee payroll	\$ 336,091	\$ 210,324	\$ 172,153	\$ 163,604	\$ 176,350	\$ 196,334	\$ 173,890	\$ 196,334
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.47%	45.32%	49.89%	31.38%	48.14%	8.27%	( 11.77%)	19.65%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.97%	98.09%	102.64%	94.35%

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

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

**Town of Aulander, North Carolina**  
**Town of Aulander's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

<b>Local Government Employees' Retirement System</b>								
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 23,239	\$ 15,260	\$ 15,250	\$ 10,348	\$ 11,528	\$ 12,556	\$ 12,163	\$ 12,501
Contributions in relation to the contractually required contribution	23,239	15,260	15,250	10,348	11,528	12,556	12,163	12,501
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 228,054	\$ 336,091	\$ 210,324	\$ 172,153	\$ 163,604	\$ 176,350	\$ 196,334	\$ 173,890
Contributions as a percentage of covered-employee payroll	10.19%	4.54%	7.25%	6.01%	7.05%	7.12%	6.20%	7.19%

**Town of Aulander, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes		\$ 260,027	
Total	\$ 292,000	260,027	\$ (31,973)
Unrestricted intergovernmental:			
Local option sales taxes		214,960	
Utility franchise tax		62,542	
Solid waste tax		603	
Beer and wine tax		3,338	
Total	242,000	281,443	39,443
Restricted intergovernmental:			
Powell Bill allocation		25,188	
Grants		30,000	
Total	30,000	55,188	25,188
Permits and fees:			
Fees		8,559	
Zoning permits		400	
Police fees		641	
Penalties and interest		2,632	
Total	22,500	12,232	(10,268)
Sales and service:			
Garbage fees		78,888	
Cemetery fees		7,200	
Rentals		11,540	
Other fees		3,156	
Total	76,000	100,784	24,784
Miscellaneous	16,025	36,631	20,606
Investment earnings	-	830	830
Total Revenues	678,525	747,135	68,610

**Town of Aulander, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
General government:			
Administration:			
Salaries & benefits		40,969	
Operating expense		48,392	
Total	<u>78,020</u>	<u>89,361</u>	<u>(11,341)</u>
Governing Body:			
Salaries & benefits		11,392	
Operating expense		3,207	
Total	<u>12,150</u>	<u>14,599</u>	<u>(2,449)</u>
Public Buildings:			
Operating expense		82,990	
Total	<u>81,800</u>	<u>82,990</u>	<u>(1,190)</u>
Total General Government	<u>171,970</u>	<u>186,950</u>	<u>(14,980)</u>
Public Safety:			
Police department:			
Salaries & benefits		64,645	
Operating expense		28,947	
Total	<u>141,217</u>	<u>93,592</u>	<u>47,625</u>
Fire department:			
Operating expense		41,891	
Capital outlay		307,485	
Total	<u>65,410</u>	<u>349,376</u>	<u>(283,966)</u>
Total Public Safety	<u>206,627</u>	<u>442,968</u>	<u>(236,341)</u>
Transportation:			
Salaries & benefits		32,545	
Operating expense		113,593	
Total	<u>145,050</u>	<u>146,138</u>	<u>(1,088)</u>
Environmental protection:			
Salaries & benefits		68,807	
Operating expense		18,082	
Total	<u>138,515</u>	<u>86,889</u>	<u>51,626</u>

**Town of Aulander, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Cultural and Recreational:			
Operating expense		78,107	
Total	<u>55,450</u>	<u>78,107</u>	<u>(22,657)</u>
Debt service			
Principal		42,934	
Interest		5,031	
Total	<u>22,600</u>	<u>47,965</u>	<u>(25,365)</u>
Total Expenditures	<u>740,212</u>	<u>989,017</u>	<u>(248,805)</u>
Revenues over (under) expenditures	(61,687)	(241,882)	(180,195)
Other financing sources (uses)			
Installment proceeds	138,784	136,555	(2,229)
Fund balance appropriated	<u>(77,097)</u>	<u>-</u>	<u>77,097</u>
Total Other financing sources (uses)	<u>61,687</u>	<u>-</u>	<u>74,868</u>
Net change in fund balance	<u>\$ -</u>	(105,327)	<u>\$ (105,327)</u>
Fund Balance, beginning		<u>1,154,357</u>	
Fund Balance, ending		<u>\$ 1,049,030</u>	



**Town of Aulander, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Utility Sales:			
Water charges		\$ 206,162	
Sewer charges		194,322	
Miscellaneous		36,346	
Total Operating Revenues	<u>\$ 443,100</u>	<u>436,830</u>	<u>\$ (6,270)</u>
Nonoperating revenues:			
Interest earnings	-	272	272
Total Revenues	<u>443,100</u>	<u>437,102</u>	<u>(5,998)</u>
Expenditures:			
Water and Sewer Operations:			
Salaries and benefits		163,293	
Operating Expenses		114,194	
Total water and sewer operations	<u>421,750</u>	<u>277,487</u>	<u>144,263</u>
Debt services			
Principal retirement	<u>21,350</u>	<u>23,922</u>	<u>(2,572)</u>
Total expenditures	<u>443,100</u>	<u>301,409</u>	<u>141,691</u>
Revenues over (under) expenditures	-	135,693	135,693
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
(uses):	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over			
expenditures and other uses	<u>\$ -</u>	<u>\$ 135,693</u>	<u>\$ 135,693</u>
<b>Reconciliation from budgetary basis</b>			
<b>(modified accrual) to full accrual:</b>			
Revenues over expenditures		<u>\$ 135,693</u>	
Reconciling items:			
Principal retirement		23,922	
Capital contributions		201,554	
(Increase) decrease in accrued vacation pay		1,044	
(Increase) decrease in Deferred inflows of resources for pensions		2,272	
Increase (decrease) in Deferred outflows of resources for pensions		14,549	
(Increase) decrease in Net pension liability		(26,433)	
Depreciation		(271,426)	
Total reconciling items		<u>(54,518)</u>	
Change in net position		<u>\$ 81,175</u>	

**Town of Aulander, North Carolina**  
**Capital Project Fund - Public Sewer Improvements**  
**Schedule of Revenues, Expenditures, and**  
**Budget and Actual (Non-GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues-Water & Sewer Projects:					
Restricted intergovernmental:					
CDBG Grant	\$ 1,741,549	\$ 1,492,451	\$ 201,554	\$ 1,694,005	\$ (47,544)
Total revenues	<u>1,741,549</u>	<u>1,492,451</u>	<u>201,554</u>	<u>1,694,005</u>	<u>(47,544)</u>
Expenditures-Water & Sewer Projects:					
Construction	<u>1,754,049</u>	<u>1,492,064</u>	<u>133,219</u>	<u>1,625,283</u>	<u>128,766</u>
Total expenditures	<u>1,754,049</u>	<u>1,492,064</u>	<u>133,219</u>	<u>1,625,283</u>	<u>128,766</u>
Revenues over (under) expenditures	<u>(12,500)</u>	<u>387</u>	<u>68,335</u>	<u>68,722</u>	<u>81,222</u>
Other financing sources:					
Transfer from other fund	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,500)</u>
Total other financing sources	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,500)</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>\$ 387</u>	<u>\$ 68,335</u>	<u>\$ 68,722</u>	<u>\$ 68,722</u>

**Town of Aulander, North Carolina**  
**General Fund**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 252,597	\$ 243,595	\$ 9,002
2019-2020	8,518	-	3,758	4,760
2018-2019	6,983	-	4,211	2,772
2017-2018	3,335	-	1,772	1,563
2016-2017	1,318	-	216	1,102
2015-2016	954	-	162	792
2014-2015	971	-	57	914
2013-2014	947	-	60	887
2012-2013	1,074	-	596	478
2011-2012	576	-	576	-
	<u>\$ 24,676</u>	<u>\$ 252,597</u>	<u>\$ 255,003</u>	<u>\$ 22,270</u>

Ad valorem taxes receivable - net \$ 22,270

Reconcilement with revenues:

Ad valorem taxes - General Fund \$ 260,027

Reconciling items:

Discounts, Releases, Refunds, Fees, Write-offs (5,024)

Total collections and credits \$ 255,003

**Town of Aulander, North Carolina**  
**Analysis of Current Tax Levy**  
**Town - Wide Levy**  
**For the Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 33,236,447	0.76	\$ 252,597	\$ 207,541	\$ 45,056
Total	<u>33,236,447</u>		<u>252,597</u>	<u>207,541</u>	<u>45,056</u>
Total property valuation	<u><u>\$ 33,236,447</u></u>				
Net levy			252,597	207,541	45,056
Uncollected taxes at June 30, 2021			<u>(9,002)</u>	<u>(9,002)</u>	<u>-</u>
Current year's taxes collected			<u><u>\$ 243,595</u></u>	<u><u>\$ 198,539</u></u>	<u><u>\$ 45,056</u></u>
Current levy collection percentage			<u><u>96.44%</u></u>	<u><u>95.66%</u></u>	<u><u>100.00%</u></u>



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

**Independent Auditor's Report**

To the Honorable Mayor  
and Members of the Board of Commissioners  
Aulander, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Aulander for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprises the Town of Aulander basic financial statements, and have issued our report thereon dated March 28, 2022.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses 2021-004 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses 2021-001, 2021-002, 2021-003 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Aulander'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. 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 2021-002 and 2021-003.

#### Town of Aulander's Response to Findings

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

Thompson, Price, Scott, Adams & Co., PA

Wilmington, North Carolina

March 28, 2022

Town of Aulander, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2021

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<b>Section I.</b>	<b>Summary of Auditor's Results</b>
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Financial Statements

Type of report auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified?                      Xyes    \_\_\_no
- Significant Deficiency(s) identified?                      Xyes    \_\_\_no

Noncompliance material to financial  
statements noted?    \_\_\_yes    Xno

Town of Aulander, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2021

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**Section II – Financial Statement Findings**

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**SIGNIFICANT DEFICIENCY**

**2021-001 Segregation of Duties**

**Criteria:** Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

**Condition:** There is a lack of segregation of duties among Town personnel.

**Effect:** Transactions could be mishandled.

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

**Identification of a repeat finding:** This is not a repeat finding.

**Recommendation:** The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding and will adhere to the corrective action plan to follow.

**SIGNIFICANT DEFICIENCY/NONCOMPLIANCE**

**2021-002 Noncompliance with Budget**

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

**Condition:** The Town expended more for the General Fund in the General government, Public Safety, Transportation, Cultural and recreational, and Debt service Funds by \$14,980, \$236,341, \$1,088, \$22,657, and \$25,365, respectively. Also, the Water and Sewer Fund expended \$2,572 more than what was appropriated for in the annual budget ordinance.

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

**Cause:** The Town exceeded budget expenditures in the General Fund and Water and Sewer Funds while budget amendments were not adopted.

**Identification of a repeat finding:** This is not a repeat finding.

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

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding. The Town will continue to monitor the budgets monthly to ensure compliance.



Town of Aulander, North Carolina  
Schedule of Findings and Responses  
For the Fiscal Year Ended June 30, 2021

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**Section II – Financial Statement Findings**

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**SIGNIFICANT DEFICIENCY/NONCOMPLIANCE**

**2021-003 Preaudit Process**

**Criteria:** According to G.S. 159-28(a), the Finance Officer is required to perform the preaudit process on all purchase orders, credit card purchases, employment agreements, internet orders, and service contracts.

**Condition:** The Finance Officer has not properly implemented the preaudit stamp and procedures.

**Effect:** The Town was in violation of the statute and money was spent that had not been formally appropriated in the current fiscal year.

**Identification of a repeat finding:** This is not a repeat finding.

**Cause:** Personnel responsible for purchasing and issuing checks have not properly implemented the requirement.

**Recommendation:** The Finance Officer should implement internal controls that will educate staff on the preaudit requirement. All preprinted documents that require the preaudit certificate should contain the proper form described in the criteria above. A stamp with the preaudit certificate should be available, if necessary, for the issuers of the documents or checks. The stamp should be kept in custody to prevent unauthorized use.

**Views of responsible officials and planned corrective actions:** Town officials agree with this finding and recommended action to ensure that only those amounts appropriated are spent.

**MATERIAL WEAKNESS**

**2021-004 Reconciliation of Records**

**Criteria:** Reconciliation of Records

**Condition:** Financial statements should be available for review by the Board. Key items are not reconciled by finance (such as receivables, payables, etc.).

**Effect:** Errors could occur and not be detected by management in a timely manner and could impact management's ability to have accurate information for decisions.

**Cause:** Turnover in the finance department (including the finance officer), which created significant issues for the Town. Also, the lack of accounting software knowledge contributed to unreconciled items.

**Identification of a repeat finding:** This is not a repeat finding.

**Recommendation:** The Town should review and/or modify policies to ensure that accurate information is provided for decision making and staff are adequately trained on the accounting software that is utilized by the Town.

**Views of responsible officials and planned corrective actions:** The Town agrees with this finding and will adhere to the corrective action plan to follow.



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## TOWN OF AULANDER

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### CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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#### Section II – Financial Statement Findings

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##### SIGNIFICANT DEFICIENCY

###### **2021-001 Segregation of Duties**

Name of Contact Person: Lynne Conner, Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date: Immediately.

##### SIGNIFICANT DEFICIENCY

###### **2021-002 Noncompliance with Budget**

Name of Contact Person: Lynne Conner, Finance Officer

Corrective Action: The Town will implement safeguards and controls to better monitor budgeted amounts to ensure expenditures do not exceed budgeted amounts.

Proposed Completion Date: Immediately.

##### SIGNIFICANT DEFICIENCY

###### **2021 – 003 Preaudit Process**

Name of Contact Person: Lynne Conner, Finance Officer

Corrective Action: The Finance Officer will implement internal control procedures to ensure that all purchases go through the preaudit process.

Proposed Completion Date: The Town will implement the above procedures immediately.

##### MATERIAL WEAKNESS

###### **2021 – 004 Reconciliation of Records**

Name of Contact Person: Lynne Conner, Finance Officer

Corrective Action: The policies will be reviewed, and modifications will be made as necessary to strengthen controls over the billing and collections procedures. The Finance Officer will take the necessary training to build up their knowledge on the accounting software utilized by the Town.

Proposed Completion Date: The Town will implement the above procedures immediately.

Town of Aulander, North Carolina  
Schedule of Prior Year Findings  
For the Fiscal Year Ended June 30, 2021

None reported.