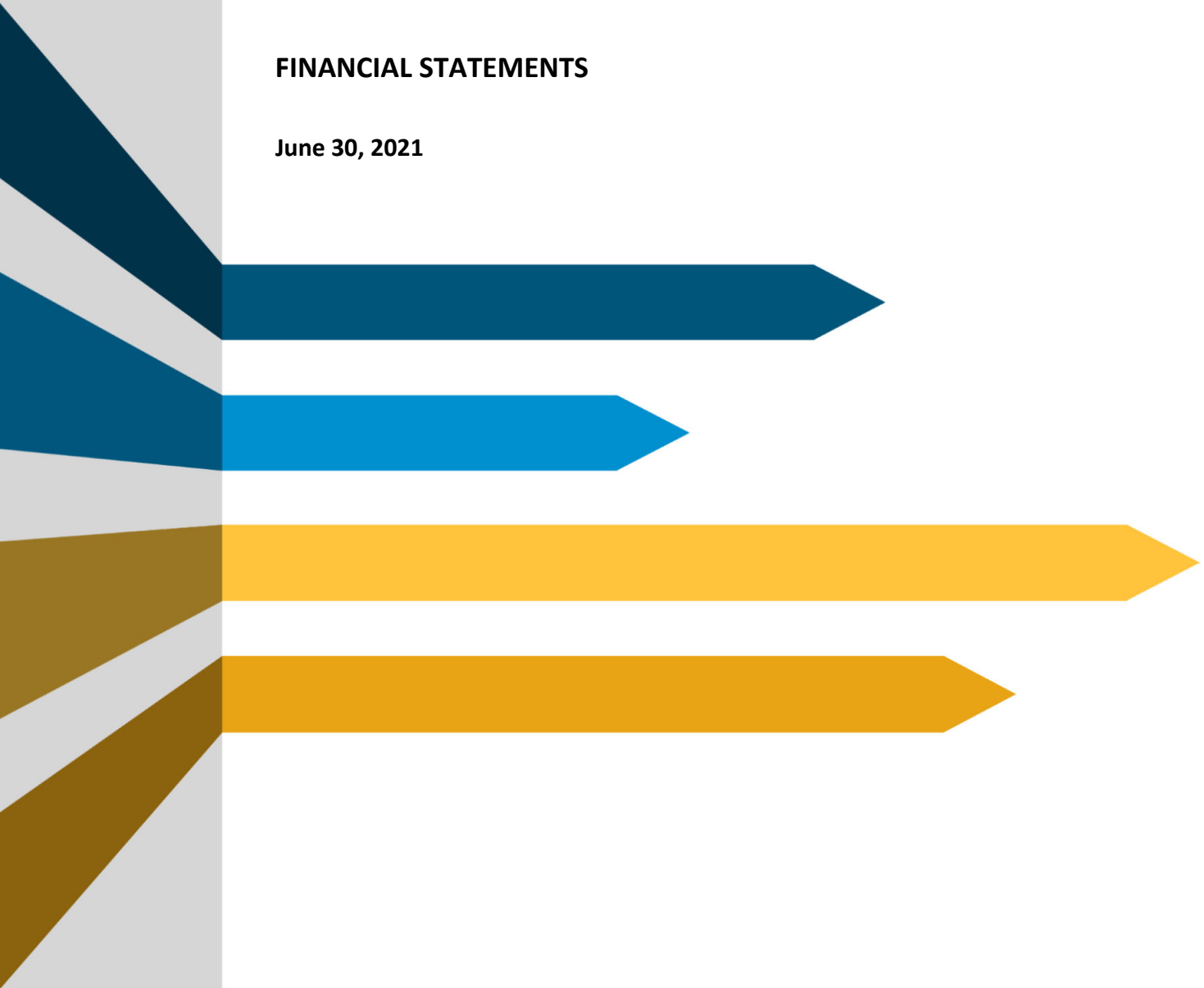


## **Town of Aurora**

### **FINANCIAL STATEMENTS**

**June 30, 2021**





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**FINANCIAL STATEMENTS**

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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Aurora, North Carolina (the "Town"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprises the Town's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Town as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 5 to the financial statements, the Town recorded restatements with the Governmental Activities and General Fund opinion units. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions on pages 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

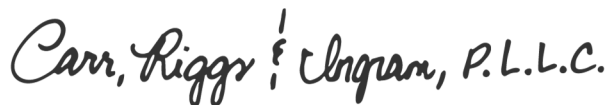
#### *Supplementary and Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, P.L.L.C." in a cursive, flowing script.

CARR, RIGGS & INGRAM, P.L.L.C.  
New Bern, North Carolina  
October 27, 2023

## Town of Aurora Management's Discussion and Analysis

As management of the Town of Aurora, we offer readers of the Town of Aurora's (the "Town") 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

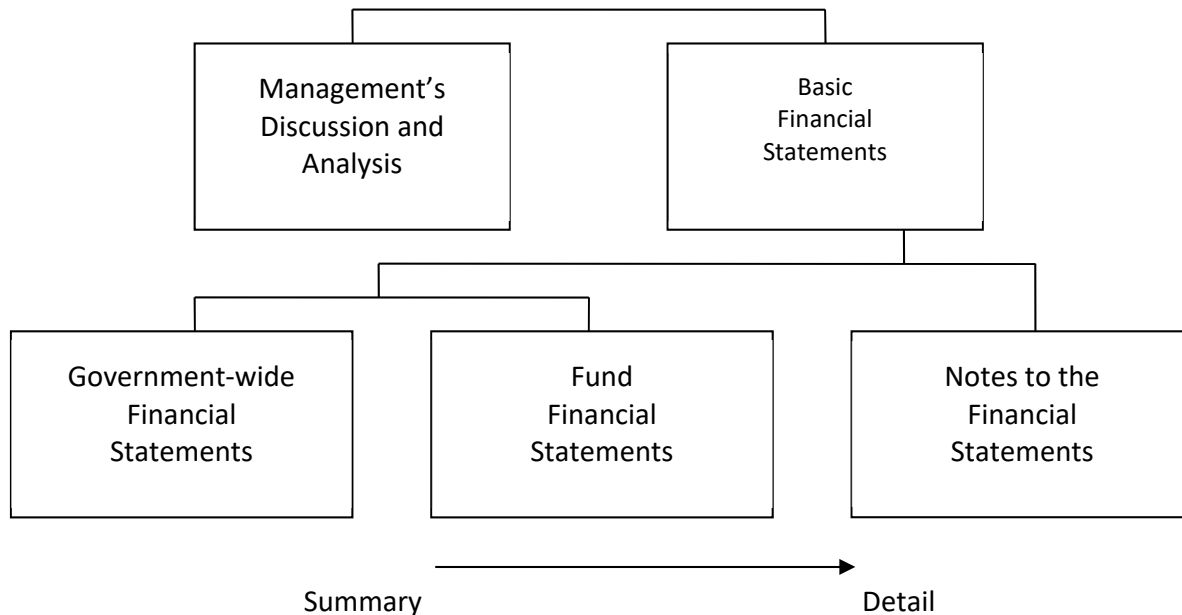
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,534,169 (*net position*).
- The government's total net position increased by \$503,282 before restatement, primarily due to increases in the business-type activities net position due to capital grants received.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$684,853, an increase of \$115,511 before restatement in comparison with the prior year. Approximately 22.16% of this total amount, or \$151,786, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$533,067 or 129.5% of total General Fund expenditures for the fiscal year.

### Overview of the Financial Statements

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

**Required Components of Annual Financial Report**

**Figure 1**



**Basis Financial Statements**

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, the **Required Supplemental Information** provides information about participation in the Local Government Employee Retirement System and **Supplemental Information** is provided to show details about the Town's individual funds and tax related information. Budgetary information required by the General Statutes also can be found in this part of the statements.



### **Government-wide Financial Statements**

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

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

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

### **Fund Financial Statements**

The fund financial statements (*see Figure 1*) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (*or non-compliance*) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

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

## Town of Aurora

### Management's Discussion and Analysis

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

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

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22 of this report.

**Other Information** – In addition to basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

**Interdependence with Other Entities** – The Town depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

## Town of Aurora Management's Discussion and Analysis

### Town of Aurora's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
Current and other assets	\$ 604,473	\$ 536,588	\$ 97,274	\$ 123,627	\$ 701,747	\$ 660,215
Restricted assets	118,499	71,700	26,939	26,019	145,438	97,719
Capital assets	878,659	819,207	908,316	524,224	1,786,975	1,343,431
Deferred outflows of resources	30,648	25,894	20,433	13,943	51,081	39,837
Total assets and deferred outflows of resources	1,632,279	1,453,389	1,052,962	687,813	2,685,241	2,141,202
Current liabilities	28,422	12,430	42,729	32,957	71,151	45,387
Long-term liabilities	45,454	37,987	30,303	20,455	75,757	58,442
Deferred inflows of resources	2,498	4,216	1,666	2,270	4,164	6,486
Total liabilities and deferred inflows of resources	76,374	54,633	74,698	55,682	151,072	110,315
Net investment in capital assets	878,659	819,207	908,316	524,224	1,786,975	1,343,431
Restricted net position	151,786	94,728	-	-	151,786	94,728
Unrestricted net position	525,460	484,821	69,948	107,907	595,408	592,728
Total net position	\$ 1,555,905	\$ 1,398,756	\$ 978,264	\$ 632,131	\$ 2,534,169	\$ 2,030,887

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$2,534,169 as of June 30, 2021. The Town's net position increased by \$503,282 before restatement for the fiscal year ended June 30, 2021. However, the largest portion (70.52%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$151,786 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$595,408 is unrestricted.

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

- Increases in capital grants
- Decreases in operating grants
- Increases in property tax and other tax revenues
- Diligence in controlling cost

## Town of Aurora Management's Discussion and Analysis

### Town of Aurora's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020 (Restated)	2021	2020	2021	2020 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 42,709	\$ 52,153	\$ 245,424	\$ 229,694	\$ 288,133	\$ 281,847
Operating grants	94,613	243,294	-	147,494	94,613	390,788
Capital grants	63,994	-	408,486	-	472,480	-
General revenues:					-	-
Property taxes	148,317	155,748	-	-	148,317	155,748
Other taxes	203,876	189,421	-	-	203,876	189,421
Investment earnings	820	567	34	43	854	610
Other revenues	10,623	12,962	-	16,431	10,623	29,393
Total revenues	564,952	654,145	653,944	393,662	1,218,896	1,047,807
Expenses:						
General government	167,462	172,210	-	-	167,462	172,210
Public safety	15,420	10,560	-	-	15,420	10,560
Transportation	128,285	28,310	-	-	128,285	28,310
Environmental protection	19,358	152,571	-	-	19,358	152,571
Economic and physical development	1,138	6,975	-	-	1,138	6,975
Cultural and recreation	76,140	171,887	-	-	76,140	171,887
Water and sewer	-	-	307,811	274,239	307,811	274,239
Total expenses	407,803	542,513	307,811	274,239	715,614	816,752
Increase (decreases) in net position	157,149	111,632	346,133	119,423	503,282	231,055
Net position, beginning	1,398,756	1,287,124	632,131	512,708	2,030,887	1,799,832
Net position, ending	\$ 1,555,905	\$ 1,398,756	\$ 978,264	\$ 632,131	\$ 2,534,169	\$ 2,030,887

**Governmental activities:** Governmental activities increased the Town's net position by \$157,149 before restatement. Key elements of the increase are as follows:

- Increase in other tax revenues
- Increase in capital grants
- Decrease in operating grants
- Continued diligence in controlling costs

**Business-type activities:** Business-type activities increased the Town's net position by \$346,133. Key elements of this increase are as follows:

- Increase in charges for services
- Increase in capital grants
- Continued diligence in controlling costs

## Town of Aurora Management's Discussion and Analysis

### Financial Analysis of the Town's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$533,067, while total fund balance reached \$601,750. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 129.5% of total General Fund expenditures, and total fund balance represents 146.2% of the same amount.

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

**Proprietary Funds.** The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$69,948. The total increase in net position for this fund was \$346,133. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

## Town of Aurora Management's Discussion and Analysis

**Capital Assets.** As of June 30, 2021, the Town's investment in capital assets for its governmental and business-type activities totals \$1,786,975.

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

- Generator project
- Construction in progress on the water improvement project

No major disposals were recorded this year.

Town of Aurora's Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Land	\$ 653,193	\$ 653,193	\$ 2,000	\$ 2,000	\$ 655,193	\$ 655,193	
Construction in progress	14,420	-	667,684	258,430	682,104	258,430	
Buildings	47,814	59,097	-	-	47,814	59,097	
Improvements	39,934	41,700	-	-	39,934	41,700	
Equipment	72,512	10,122	18,025	21,806	90,537	31,928	
Vehicles and motorized equipment	1,631	4,950	-	-	1,631	4,950	
Infrastructure	49,155	50,145	-	-	49,155	50,145	
Plant and distribution system	-	-	220,607	241,988	220,607	241,988	
<b>Total assets</b>	<b>\$ 878,659</b>	<b>\$ 819,207</b>	<b>\$ 908,316</b>	<b>\$ 524,224</b>	<b>\$ 1,786,975</b>	<b>\$ 1,343,431</b>	

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

**Long-term Liabilities.** As of June 30, 2021, the Town had total long-term liabilities outstanding of \$75,757.

Town of Aurora's Outstanding Debt							
	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Net pension liabilities (LGERs)	\$ 45,454	\$ 37,987	\$ 30,303	\$ 20,455	\$ 75,757	\$ 58,442	

The Town's total long-term liabilities increased by \$17,315 (29.6%) during the past fiscal year due to changes in the net pension liability.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within the government's boundaries. The legal debt margin for Town is \$1,942,693.

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

## **Town of Aurora Management's Discussion and Analysis**

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

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

- The Town is currently experiencing moderate growth in new housing starts as well as growth in new businesses.
- The Town expects building, governmental activities and business-type activities to increase town revenues slightly, but expenditures will also increase slightly to provide services for the Town's growth as well as to address the financial impact of the COVID-19 virus.
- The Town continues to explore grant opportunities to benefit the Town's water, sewer and industrial park projects.
- There were no significant rate increases included in the FY22 budget.

### **Request for Information**

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor, Town of Aurora, 295 Main Street, Aurora, NC, 27806 (252) 322-4611.

**Town of Aurora**  
**Statement of Net Position**  
**June 30, 2021**  
**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 561,489	\$ 81,142	\$ 642,631
Taxes receivable (net)	9,697	-	9,697
Accounts receivable (net)	33,287	11,451	44,738
Due from other governments	-	4,681	4,681
Restricted cash and cash equivalents	118,499	26,939	145,438
Total current assets	722,972	124,213	847,185
Noncurrent assets:			
Capital assets:			
Land and construction in progress	667,613	669,684	1,337,297
Capital assets, net of depreciation	211,046	238,632	449,678
Total capital assets	878,659	908,316	1,786,975
Total assets	1,601,631	1,032,529	2,634,160
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	30,648	20,433	51,081
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	28,422	15,790	44,212
Customer deposits	-	26,939	26,939
Total current liabilities	28,422	42,729	71,151
Long-term liabilities:			
Net pension liability	45,454	30,303	75,757
Total liabilities	73,876	73,032	146,908
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	2,498	1,666	4,164
<b>NET POSITION</b>			
Net investment in capital assets	878,659	908,316	1,786,975
Restricted for:			
Stabilization by State Statute	33,287	-	33,287
Streets - Powell Bill	15,172	-	15,172
Capital reserve	20,224	-	20,224
Recreation	83,103	-	83,103
Unrestricted	525,460	69,948	595,408
Total net position	\$ 1,555,905	\$ 978,264	\$ 2,534,169

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



**Town of Aurora**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**  
**Exhibit 2**

					Net (Expense) Revenue and Changes in Net Position			
Functions/ Programs	Expenses	Program Revenues			Primary Government			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activiites	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 167,462	\$ 8,690	\$ 12,083	\$ 63,994	\$ (82,695)	\$ -	\$ (82,695)	
Public safety	15,420	6	964	-	(14,450)	-	(14,450)	
Transportation	128,285	-	21,726	-	(106,559)	-	(106,559)	
Environmental protection	19,358	29,363	-	-	10,005	-	10,005	
Economic and physical development	1,138	150	-	-	(988)	-	(988)	
Cultural and recreation	76,140	4,500	59,840	-	(11,800)	-	(11,800)	
Total governmental activities	407,803	42,709	94,613	63,994	(206,487)	-	(206,487)	
Business-type activities:								
Water and sewer	307,811	245,424	-	408,486	-	346,099	346,099	
Total primary government	\$ 715,614	\$ 288,133	\$ 94,613	\$ 472,480	(206,487)	346,099	139,612	
General revenues:								
Taxes:								
Property taxes, levied for general purposes					148,317	-	148,317	
Other taxes					203,876	-	203,876	
Investment earnings					820	34	854	
Miscellaneous					10,623	-	10,623	
Total general revenues					363,636	34	363,670	
Change in net position					157,149	346,133	503,282	
Net position -beginning					1,321,187	632,131	1,953,318	
Restatement					77,569	-	77,569	
Net position - beginning as restated					1,398,756	632,131	2,030,887	
Net position - ending					\$ 1,555,905	\$ 978,264	\$ 2,534,169	

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

**Town of Aurora**  
**Balance Sheet – Governmental Funds**  
**June 30, 2021**  
**Exhibit 3**

	<b>Major Funds</b>		
	<b>General</b>	<b>Recreation Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 561,489	\$ -	\$ 561,489
Restricted cash	35,396	83,103	118,499
Ad valorem taxes receivable (net)	9,697	-	9,697
Accounts receivable	33,287	-	33,287
Total assets	\$ 639,869	\$ 83,103	\$ 722,972
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 28,422	\$ -	\$ 28,422
Total liabilities	28,422	-	28,422
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax receivable	9,697	-	9,697
<b>FUND BALANCES</b>			
Restricted			
Stabilization of State Statute	33,287	-	33,287
Streets - Powell Bill	15,172	-	15,172
Capital reserve	20,224	-	20,224
Recreation	-	83,103	83,103
Unassigned	533,067	-	533,067
Total fund balances	601,750	83,103	684,853
Total liabilities, deferred inflows of resources and fund balances	\$ 639,869	\$ 83,103	\$ 722,972

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

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

Total fund balances - governmental funds		\$ 684,853
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,815,417	
Gross capital assets at historical cost	(936,758)	878,659
Accumulated depreciation		
Deferred outflows of resources related to pensions are not reported in the funds		30,648
Earned revenues considered deferred inflows of resources in the fund statements		9,697
Deferred inflows of resources related to pensions are not reported in the funds		(2,498)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		
Net pension liability		(45,454)
Net position of governmental funds		\$ 1,555,905

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

**Town of Aurora**  
**Statement of Revenues, Expenditures, and Changes**  
**In Fund Balances – Governmental Funds**  
**For the Year Ended June 30, 2021**  
**Exhibit 4**

	<b>Major Funds</b>		
	<b>General</b>	<b>Recreation Fund</b>	<b>Total</b>
<b>REVENUES</b>			
Ad valorem taxes	\$ 165,136	\$ -	\$ 165,136
Unrestricted intergovernmental	203,876	-	203,876
Restricted intergovernmental	98,767	59,840	158,607
Sales and service	42,553	-	42,553
Permits and fees	156	-	156
Investment earnings	820	-	820
Miscellaneous	10,623	-	10,623
Total revenues	521,931	59,840	581,771
<b>EXPENDITURES</b>			
Current:			
General government	234,643	-	234,643
Public safety	14,147	-	14,147
Transportation	124,139	-	124,139
Environmental protection	16,747	-	16,747
Economic and physical development	1,138	-	1,138
Cultural and recreation	20,810	54,636	75,446
Total expenditures	411,624	54,636	466,260
Net change in fund balances	110,307	5,204	115,511
Fund balances - beginning	413,874	77,899	491,773
Restatement	77,569	-	77,569
Fund balances - beginning as restated	491,443	77,899	569,342
Fund balances - ending	\$ 601,750	\$ 83,103	\$ 684,853

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

**Town of Aurora**

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

**For the Year Ended June 30, 2021**

**Exhibit 4**

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances to the  
Statement of Activities:

Net change in fund balances - governmental funds	\$	115,511
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.		
Capital outlay expenditures which were capitalized	81,396	
Depreciation expense for governmental assets	<u>(21,944)</u>	59,452
Contributions to the pension plan in the current fiscal year		12,914
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 revenue		(16,819)
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		<u>(13,909)</u>
Total changes in net position of governmental activities	\$	<u>157,149</u>

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

**Town of Aurora**  
**Statement of Revenues, Expenditures and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**  
**Exhibit 5**

	General Fund				Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts		
<b>REVENUES</b>					
Ad valorem taxes	\$ 130,000	\$ 130,000	\$ 165,136	\$	35,136
Unrestricted intergovernmental	161,050	161,050	203,876		42,826
Restricted intergovernmental	23,500	23,500	98,767		75,267
Sales and service	44,741	44,741	42,553		(2,188)
Permits and fees	175	175	156		(19)
Investment earnings	350	350	820		470
Miscellaneous	4,541	4,541	10,623		6,082
Total revenues	364,357	364,357	521,931		157,574
<b>EXPENDITURES</b>					
Current:					
General government	166,489	166,489	234,643		(68,154)
Public safety	20,792	20,792	14,147		6,645
Transportation	144,326	144,326	124,139		20,187
Environmental protection	16,500	16,500	16,747		(247)
Economic and physical development	3,000	3,000	1,138		1,862
Cultural and recreation	13,250	13,250	20,810		(7,560)
Total expenditures	364,357	364,357	411,624		(47,267)
Net change in fund balances	\$ -	\$ -	110,307	\$	110,307
Fund balances - beginning			413,874		
Restatement			77,569		
Fund balances - beginning as restated			491,443		
Fund balances - ending			\$ 601,750		

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

**Town of Aurora**  
**Statement of Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**  
**Exhibit 6**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 81,142
Restricted cash and cash equivalents	26,939
Due from other governments	4,681
Accounts receivable (net)	11,451
Total current assets	124,213
Noncurrent assets:	
Capital assets:	
Land and construction in progress	669,684
Capital assets, net of depreciation	238,632
Total capital assets	908,316
Total noncurrent assets	908,316
Total assets	1,032,529
<b>DEFERRED INFLOW OF RESOURCES</b>	
Pension deferrals	20,433
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	15,790
Customer deposits	26,939
Total current liabilities	42,729
Noncurrent liabilities:	
Net pension liability	30,303
Total liabilities	73,032
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension deferrals	1,666
<b>NET POSITION</b>	
Net investment in capital assets	908,316
Unrestricted	69,948
Total net position	\$ 978,264

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

**Town of Aurora**  
**Statement of Revenues, Expenses and Changes**  
**In Net Position – Proprietary Fund**  
**For the Year Ended June 30, 2021**  
**Exhibit 7**

	<b>Water and Sewer Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 245,424
<b>OPERATING EXPENSES</b>	
Water treatment and distribution	162,846
Sewer treatment and distribution	119,802
Depreciation	25,163
Total operating expenses	307,811
Operating loss	(62,387)
<b>NONOPERATING REVENUES</b>	
Investment earnings	34
Capital contributions	408,486
Total nonoperating revenues	408,520
<b>Change in net position</b>	346,133
<b>Total net position, beginning</b>	632,131
<b>Total net position, ending</b>	\$ 978,264

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

**Town of Aurora**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2021**  
**Exhibit 8**

	<b>Water and Sewer Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 270,212
Cash paid for goods and services	(142,074)
Cash paid to employees	(128,969)
Customer deposits received	1,135
Customer deposits returned	(215)
Net cash provided by operating activities	89
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	34
Net cash flow provided by investing activities	34
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(409,254)
Capital contributions	408,486
Net cash used by capital and related financing activities	(768)
Net decrease in cash and cash equivalents	(645)
Balances, beginning of year	108,726
Balances, ending of year	\$ 108,081
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (62,387)
Adjustments to reconcile loss to cash provided by operations:	
Depreciation	25,163
(Increase) decrease in accounts receivable (net)	28,138
(Increase) decrease in due from other governments	(3,350)
(Increase) decrease in deferred outflows of resources - pension	(6,490)
Increase (decrease) in accounts payable	8,851
Increase (decrease) in customer deposits	920
Increase (decrease) in net pension liability	9,848
Increase (decrease) in deferred inflow of resources -pension	(604)
Total adjustments	62,476
Net cash provided by operating activities	\$ 89

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



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Town reports the following major governmental fund:

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

**Recreation Fund.** The Recreation Fund accounts for grant awards from the Kate B. Reynolds Charitable Trust awarded to the Town for recreation projects.

The Town reports the following major enterprise fund:

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

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicle are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. 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 beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town because the tax is levied by Beaufort County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust (NCCMT). 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 amortized cost, which approximates fair value, and is the NCCMT's share price. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with maturity of less than 6 months.

2. Cash and Cash Equivalents

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Restricted Assets

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

<u>Restricted Cash</u>	
<u>Governmental activities</u>	
General Fund	
Streets - Powell Bill	\$ 15,172
Capital reserve	20,224
Recreation Fund	
Grant proceeds	83,103
<u>Total governmental activities</u>	<u>118,499</u>
 Business-type activities	
Water and Sewer Fund	
Customer deposits	26,939
<u>Total restricted cash</u>	<u>\$ 145,438</u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are \$1,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network 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 are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Lives</u>
Buildings	30
Machinery and equipment	10
Improvements	25
Infrastructure	20
Vehicles	5
Computer equipment	3

7. Deferred outflows/inflows of resources

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

8. Long-Term Obligations

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

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

9. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to five (5) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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

10. Net Position/Fund Balances

Net Position

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balances**

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

The governmental fund types classify fund balance as follows:

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

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

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

Restricted for Capital Reserve – portion of fund balance that is restricted for future capital improvements.

Restricted for Recreation – portion of fund balance that is restricted for future recreation expenditures per grant agreements.

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



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**11. 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.

**12. Use of Estimates**

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

**13. Recent Accounting Pronouncements**

The County implemented Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective July 1, 2020. The Statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement also describes four fiduciary funds that should be reported if criteria outlined in the statements are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships, applied the criteria within the guidance, and determined the Town has no relationships meeting the requirements of fiduciary activities.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

The Town is evaluating the requirements of the above statements and the impact on reporting.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

1. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C. General Statute 159-34(a) and 159-33.1 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town had a change in auditor and staffing turnover, which delays the completion of the June 30, 2021 audit. The Town is working with their current audit to submit all delinquent audits and maintain a timely audit filing going forward.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

The Town is in violation of N.C. General Statute 159-28(a) which states that each check bear on its face a pre-audit certificate signed by the finance officer or deputy finance officer approved for the specified purpose by the governing board. The Town's check stock does not have the required pre-audit certificate.

**B. Excess of Expenditures over Appropriation**

For the year ended June 30, 2021, expenditures made in the General Fund exceeded authorized appropriations made by the governing board at the functional level by the following amounts: general government by \$68,154; environmental protection by \$247; and cultural and recreation by \$7,560. Expenditures made in the Recreation Fund exceeded authorized appropriations made by the governing board by \$54,636. Expenditures made in the Water and Sewer Fund exceeded authorized appropriations made by the governing board by \$404,917. The over-expenditure occurred due to grant revenues being received, which increased capital outlay; however, a budget amendment was not approved. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits**

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

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

At June 30, 2021, the Town's deposits had a carrying amount of \$787,884 and a bank balance of \$801,177. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash fund totaled \$185.

2. **Receivables - Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowances for doubtful accounts:

**General Fund:**

Taxes receivable	\$ 12,000
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**Enterprise Fund:**

Water and Sewer accounts receivable	25,967
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Total	\$ 37,967
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**Town of Aurora**  
**Notes to Financial Statements**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

3. Capital Assets

Capital asset activity 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	\$ 653,193	\$ -	\$ -	\$ 653,193
Construction in progress	-	14,420	-	14,420
Total capital assets not being depreciated	653,193	14,420	-	667,613
<b>Capital assets being depreciated:</b>				
Buildings	564,141	-	-	564,141
Improvements	44,155	-	-	44,155
Equipment	233,787	66,976	-	300,763
Vehicles and motorized equipment	139,185	-	-	139,185
Infrastructure	99,560	-	-	99,560
Total capital assets being depreciated	1,080,828	66,976	-	1,147,804
<b>Less accumulated depreciation for:</b>				
Buildings	505,044	11,283	-	516,327
Improvements	2,455	1,766	-	4,221
Equipment	223,665	4,586	-	228,251
Vehicles and motorized equipment	134,235	3,319	-	137,554
Infrastructure	49,415	990	-	50,405
Total accumulated depreciation	914,814	21,944	-	936,758
Total capital assets being depreciated, net	166,014			211,046
Governmental activities capital assets net	<u>\$ 819,207</u>			<u>\$ 878,659</u>

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

General government	\$ 13,583
Public safety	1,273
Transportation	4,027
Environmental protection	2,611
Cultural and recreation	450
Total depreciation expense	<u>\$ 21,944</u>

**Town of Aurora**  
**Notes to Financial Statements**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

3. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 2,000	\$ -	\$ -	\$ 2,000
Construction in progress	258,430	409,254	-	667,684
Total capital assets not being depreciated	260,430	409,254	-	669,684
<b>Capital assets being depreciated:</b>				
Equipment	160,375	-	-	160,375
Plant and distribution system	1,371,627	-	-	1,371,627
Total capital assets being depreciated	1,532,002	-	-	1,532,002
<b>Less accumulated depreciation for:</b>				
Equipment	138,569	3,781	-	142,350
Plant and distribution system	1,129,638	21,382	-	1,151,020
Total accumulated depreciation	1,268,207	25,163	-	1,293,370
Total capital assets being depreciated, net	<u>263,795</u>			<u>238,632</u>
Business-type activities capital assets net	<u>\$ 524,225</u>			<u>\$ 908,316</u>



**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

B. Liabilities

1. Pension Plan 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 Annual Comprehensive Financial Report 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.

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees' Retirement System (continued)

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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, was 9.70% of compensation for law enforcement officers and 8.95% 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 \$21,524 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 \$75,757 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, the Town's proportion was 0.00212%, which was a decrease of 0.00002% from its proportion measured as of June 30, 2019.

**Town of Aurora**  
**Notes to Financial Statements**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees' Retirement System (continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$24,979. 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	\$ 9,567	\$ -
Changes of assumptions	5,638	-
Net difference between projected and actual earnings on pension plan investments	10,660	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,692	4,164
Town contributions subsequent to the measurement date	21,524	-
Total	\$ 51,081	\$ 4,164

\$21,524 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease 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:

**Year ended June 30:**

2022	\$ 6,474
2023	9,913
2024	5,852
2025	3,154
2026	-
Thereafter	-
Total	\$ 25,393

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees' Retirement System (continued)

*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 pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 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:

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees' Retirement System (continued)

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected 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>100.0%</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 liability to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 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:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 153,702	\$ 75,757	\$ 10,979

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

a. Local Governmental Employees' Retirement System (continued)

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

b. 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. All death benefit payments are made from the Death Benefit Plan. 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.

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources reported on the Statement of Net Position is comprised of the following:

Differences between expected and actual experience	\$ 9,567
Changes of assumptions	5,638
Net difference between projected and actual earnings on pension plan investments	10,660
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,692
Town contributions subsequent to the measurement date	21,524
<b>Total</b>	<b>\$ 51,081</b>

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

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

Source	Statement of Net Position	General Fund Balance Sheet
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 4,164	\$ -
Taxes receivable, less penalties (General Fund)	-	9,697
<b>Total</b>	<b>\$ 4,164</b>	<b>\$ 9,697</b>

**3. Risk Management**

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

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP) in the amount of \$80,700 on the Town Hall building.

In accordance with G.S. 159-29, the Town's employees who have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$250,000.

**Town of Aurora**  
**Notes to Financial Statements**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

4. Long-Term Obligations

a. Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental activities:</b>					
Net pension liabilities (LGRS)	\$ 37,987	\$ 7,467	\$ -	\$ 45,454	\$ -
<b>Business-type activities:</b>					
Net pension liabilities (LGRS)	\$ 20,455	\$ 9,848	\$ -	\$ 30,303	\$ -

C. Fund Balance

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

<b>Total Fund Balance - General Fund</b>	<b>\$ 601,750</b>
Less:	
Stabilization by State Statute	33,287
Streets - Powell Bill	15,172
Capital reserve	20,224
Remaining Fund Balance	<b>\$ 533,067</b>

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Federal and State Assisted Programs

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



**NOTE 5 – RESTATEMENTS**

During the fiscal year ended June 30, 2021, the Town determined unspent cash of \$70,377 related to a recreation grant had been improperly omitted from the June 30, 2020 balance sheet. Therefore, an adjustment to beginning fund balance was recorded to account for the beginning balance. In addition, the Town determined receivables related to sanitation services had not been properly recorded as of June 30, 2020. Therefore, an adjustment to beginning fund balance in the amount of \$7,192 was recorded to account for the beginning balance. These items were also omitted from the government-wide statements; therefore, beginning net position was adjusted by the same amount.

**NOTE 6 – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 27, 2023, the date which the financial statements were available to be issued.

*American Rescue Plan Grant*

Subsequent to June 30, 2021, the Town received two installments of the American Rescue Plan fund in the amount of \$81,268 each from the United States Department of the Treasury. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and,
- Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

In May 2023, the Town purchased land for expansion in the Aurora Industrial Park at a purchase price of \$450,000. The purchase was funded by a loan from Beaufort County, North Carolina, bearing interest at 1.67% per annum on the unpaid balance and is due in full within fifty-nine months.

In August 2023, the Town entered into a loan agreement with Beaufort County, North Carolina in the amount of \$200,000 at 0% interest and due in full within fifty-nine months. The loan proceeds will be used for construction costs related to the Aurora Industrial Park project.

In conjunction with the development and construction of the Aurora Industrial Park, the Town was awarded a \$700,000 grant from the Golden Leaf Foundation and \$1,250,000 grant from the NC Department of Commerce to fund construction costs.

**Town of Aurora**  
**Town's Proportionate Share of Net Pension Liability**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Seven Fiscal Years \***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Aurora's proportion of the net pension liability (asset) (%)	0.00212%	0.00214%	0.00282%	0.00286%	0.00373%	0.00382%	0.00343%
Aurora's proportion of the net pension liability (asset) (\$)	\$ 75,757	\$ 58,442	\$ 66,900	\$ 43,693	\$ 79,164	\$ 17,144	\$ 33,751
Aurora's covered payroll	\$ 206,115	\$ 170,223	\$ 189,252	\$ 211,853	\$ 219,477	\$ 217,198	\$ 156,915
Aurora's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.75%	34.33%	35.35%	20.62%	36.07%	7.89%	21.51%
Plan fiduciary net position as a percentage of the total pension liability **	92.00%	94.18%	91.47%	98.09%	98.79%	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30. All information available for reporting under current GASB codification is presented. As information becomes available, it will be included in the above table.

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

**Town of Aurora**  
**Schedule of Contributions**  
**Local Government Employees' Retirement System**  
**Required Supplementary Information**  
**Last Seven Fiscal Years \***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contributions	\$ 21,524	\$ 18,723	\$ 13,550	\$ 14,727	\$ 15,923	\$ 15,565	\$ 14,335
Contributions in relation to the contractually required required contributions	<u>21,524</u>	<u>18,723</u>	<u>13,550</u>	<u>14,727</u>	<u>15,923</u>	<u>15,565</u>	<u>14,335</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Aurora's covered-employee payroll	\$ 208,550	\$ 206,115	\$ 170,223	\$ 189,252	\$ 211,853	\$ 219,477	\$ 217,198
Contributions as a percentage of covered employee payroll	10.32%	9.08%	7.96%	7.78%	7.52%	7.09%	6.60%

\* All information available for reporting under current GASB codification is presented. As information becomes available, it will be included in the above table.

**Town of Aurora**  
**Schedule of Revenues, Expenditures, and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes			
Taxes		\$ 161,844	
Penalties and interest		3,292	
Total	\$ 130,000	165,136	\$ 35,136
Unrestricted intergovernmental			
Local option sales tax		165,748	
Utility franchise tax		28,309	
Video franchise tax		7,407	
Beer and wine tax		2,047	
Solid waste disposal tax		365	
Total	161,050	203,876	42,826
Restricted intergovernmental			
County allocation		12,083	
Federal disaster assistance grant		964	
Golden leaf foundation		63,994	
Powell Bill allocation		21,726	
Total	23,500	98,767	75,267
Sales and service			
Garbage services		29,363	
Facilities management		450	
Recreation fees		4,500	
Rent		8,240	
Total	44,741	42,553	(2,188)
Permits and fees			
Zoning permits		150	
Officer fees		6	
Total	175	156	(19)
Investment earnings	350	820	470
Miscellaneous			
Sales tax refund		2,464	
Insurance		3,215	
Other		4,944	
Total	4,541	10,623	6,082
Total revenues	364,357	521,931	157,574

**Town of Aurora**  
**Schedule of Revenues, Expenditures, and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>EXPENDITURES</b>			
General government			
Governing Board			
Governing board fees and benefits		8,397	
Other expenditures		3,714	
Total	14,197	12,111	2,086
Administration			
Salaries and benefits		46,204	
Supplies		1,413	
Dues		3,139	
Contract labor		6,968	
Collection fees		3,006	
Professional fees		7,927	
Insurance		500	
Other expenditures		7,295	
Capital outlay		14,420	
Total	94,957	90,872	4,085
Facilities management			
Salaries and benefits		19,490	
Utilities		16,601	
Insurance		9,000	
Repairs and maintenance		4,069	
Other operating expenditures		15,524	
Capital outlay		66,976	
Total	57,335	131,660	(74,325)
Total general government	166,489	234,643	(68,154)
Public safety			
Police			
Other operating expenditures	8,000	1,856	6,144
Fire			
Salaries and benefits		7,291	
Town allocation		5,000	
Total	12,792	12,291	501
Total public safety	20,792	14,147	6,645

**Town of Aurora**  
**Schedule of Revenues, Expenditures, and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
Transportation			
Salaries and benefits		45,795	
Repairs and maintenance		9,705	
Utilities		16,246	
Insurance		6,000	
Departmental supplies		15,100	
Other operating expenditures		7,793	
Total	120,826	100,639	20,187
Powell Bill			
Salaries and benefits		19,885	
Other operating expenditures		3,615	
Total	23,500	23,500	-
Total transportation	144,326	124,139	20,187
Environmental protection			
Sanitation services	16,500	16,747	(247)
Economic and physical development			
Other operating expenditures	3,000	1,138	1,862
Cultural and recreation			
Library		5,720	
Fossil Festival		7,462	
Salaries and benefits		4,764	
Other expenditures		2,864	
Total cultural and recreation	13,250	20,810	(7,560)
Total expenditures	364,357	411,624	(47,267)
Net change in fund balance	\$ -	110,307	\$ 110,307
Fund balance, beginning		413,874	
Restatement		77,569	
Fund balance, beginning as restated		491,443	
Fund balance, ending		\$ 601,750	

**Town of Aurora**  
**Schedule of Revenues, Expenditures, and Changes**  
**In Fund Balance – Budget and Actual**  
**Recreation Fund**  
**For the Year Ended June 30, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Restricted intergovernmental			
Recreation grant	\$ -	\$ 59,840	\$ 59,840
<b>EXPENDITURES</b>			
Recreation			
Administration			
Salaries and benefits		49,216	
Supplies and printing		1,056	
Other expenditures		4,364	
Total expenditures	-	54,636	(54,636)
Net change in fund balance	\$ -	5,204	\$ 5,204
Fund balance, beginning		77,899	
Fund balance, ending		\$ 83,103	

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

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Operating revenues			
Charges for services	\$ 243,600	\$ 245,424	\$ 1,824
Nonoperating revenues			
Grant revenue		408,486	
Investment earnings		34	
Total	2,450	408,520	406,070
Total revenues	246,050	653,944	407,894
<b>EXPENDITURES</b>			
Water treatment and distribution			
Salaries and benefits		66,397	
Professional fees		2,000	
Lab expense		6,384	
Repairs and maintenance		11,778	
Insurance		5,000	
Utilities		7,794	
Treatment fees		29,635	
Chemicals		10,631	
Supplies		5,277	
Other operating expenditures		3,643	
Total	145,536	148,539	(3,003)



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

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
Sewer treatment and distribution			
Salaries and benefits		62,572	
Professional fees		2,000	
Lab expense		10,715	
Repairs and maintenance		5,278	
Insurance		5,000	
Utilities		8,788	
Chemicals		7,450	
Supplies		848	
Other operating expenditures		2,737	
<b>Total</b>	<b>112,728</b>	<b>105,388</b>	<b>7,340</b>
Capital outlay	-	409,254	(409,254)
<b>Total expenditures</b>	<b>258,264</b>	<b>663,181</b>	<b>(404,917)</b>
Revenues over (under) expenditures	(12,214)	(9,237)	2,977
<b>OTHER FINANCING SOURCES</b>			
Fund balance appropriated	12,214	-	(12,214)
Revenues and other financing sources over (under) expenditures	\$ -	(9,237)	\$ (9,237)

Reconciliation from budgetary basis to full accrual:

Reconciling items:

Capital outlay	409,254
Increase in net pension liability	(9,848)
Increase in deferred outflows of resources - pension	6,490
Decrease in deferred inflows of resources - pension	604
Increase in bad debt allowance	(25,967)
Depreciation	(25,163)
<b>Total reconciling items</b>	<b>355,370</b>
Change in net position	\$ 346,133

**Town of Aurora**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<b>Fiscal Year</b>	<b>Uncollected Balance June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2021</b>
2020-2021	\$ -	\$ 150,559	\$ 144,051	\$ 6,508
2019-2020	22,297	-	18,420	3,877
2018-2019	3,908	-	631	3,277
2017-2018	3,809	-	2,170	1,639
2016-2017	1,638	-	181	1,457
2015-2016	1,049	-	67	982
2014-2015	923	-	47	876
2013-2014	1,048	-	46	1,002
2012-2013	1,036	-	6	1,030
2011-2012	1,056	-	7	1,049
2010-2011	926	-	926	-
2009-2010	826	-	826	-
	<u>\$ 38,516</u>	<u>\$ 150,559</u>	<u>\$ 167,378</u>	<u>21,697</u>
Less: allowance for uncollectible amounts				<u>(12,000)</u>
Ad valorem taxes receivable - net				<u>\$ 9,697</u>
<u>Reconcilement with revenues:</u>				
Ad valorem taxes - General Fund				\$ 165,136
Penalties and interest				(3,292)
Taxes written off				<u>5,534</u>
Total collections and credits				<u>\$ 167,378</u>

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

	Property Valuation	Rate	Total Levy	Total Levy	
				Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 24,352,410	0.62	\$ 150,985	\$ 132,346	\$ 18,639
Abatements	(68,750)		(426)	(426)	-
Total property valuation	<u>\$ 24,283,660</u>				
Net levy			150,559	131,920	18,639
Uncollected taxes at June 30, 2021			6,508	6,508	-
Current year's tax collected			<u>\$ 144,051</u>	<u>\$ 125,412</u>	<u>\$ 18,639</u>
Current levy collection percentage			<u>95.68%</u>	<u>95.07%</u>	<u>100.00%</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Aurora, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 27, 2023.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) 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'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 the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as items 2021-1, 2021-2, and 2021-3 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 deficiency described in the accompanying schedule of findings and responses as item 2021-4 to be a significant deficiency.

#### **Compliance and Other Matters**

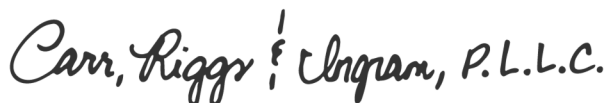
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-2, 2021-3 and 2021-4.

#### **Town's Response to Finding**

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

#### **Purpose of this Report**

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



CARR, RIGGGS & INGRAM, P.L.L.C.

October 27, 2023

New Bern, North Carolina

**Town of Aurora**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

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**MATERIAL WEAKNEESS**

**2021-1 Key account reconciliations**

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

**Condition:** In reviewing records and testing certain account balances within the general ledger, we noted that several accounts were not properly reconciled and adjusted. Monthly bank reconciliations for the recreation account were not performed during the year. In addition, reconciliation of subsidiary ledgers for utility accounts receivables, deposits, etc. were not performed for the year ended June 30, 2021. As such, a prior period restatement in the amount of \$77,569 was recorded and several adjustments were proposed to correct the financial statements.

**Effect:** The Town's management and other users of the financial statements do not have accurate and timely information for decision-making and monitoring of the Town's financial position and adherence to laws, regulations, and other requirements. Errors in financial reporting could occur and not be detected.

**Cause:** The primary financial reporting team within the Town did not have significant experience with proper processes regarding reconciliations as the Town has limited staff available. As a result, several tasks and processes were not performed accurately or timely.

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

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

**Corrective action:** The Town has begun identifying areas where reconciliations are required and adding them to the monthly and quarterly standard accounting close processes. Management is in the process of hiring additional staff and reorganize duties within the finance department to improve processes and ensure key accounts are reconciled timely and accurately. Implementation of new controls are being addressed and should be completed no later than December 31, 2023.

**Town of Aurora**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

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**MATERIAL WEAKNEESS**

**2021-2 Noncompliance with North Carolina General State Statutes – Timely Audit Submission**

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

**Condition:** The Town had a change in auditor from the previous year, which created delays in finding a new auditor and completing the audit. In addition, the Town's had staffing shortages which further delayed completing the audit.

**Effect:** The Town's audit was not completed in a timely manner.

**Cause:** A change in auditor from the previous year coupled with staffing shortages caused delays in completing the audit.

**Recommendation:** The Town should continue to provide training for the finance department staff related to North Carolina General Statutes and best practices within governmental accounting and finance.

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

**Corrective action:** The Town has begun identifying areas where additional training is available and will continue to review their policies and procedures to ensure timely audit completion in the future.

**Town of Aurora**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

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**FINANCIAL STATEMENT FINDINGS**

---

**MATERIAL WEAKNEESS**

**2021-3 Excess of Expenditures Over Budget**

**Criteria:** North Carolina 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 the current fiscal year sums obligated by the transactions for the current fiscal year.

**Condition:** For the fiscal year ended June 30, 2021, expenditures made in the General Fund exceeded authorized appropriations made by the governing board at the functional level by the following amounts: general government by \$68,154; environmental protection by \$247; and cultural and recreation by \$7,560. Expenditures made in the Recreation Fund exceeded authorized appropriations made by the governing board by \$54,636. Expenditures made in the Water and Sewer Fund exceeded authorized appropriations made by the governing board by \$404,917. The over-expenditure occurred due to grant revenues being received, which increase capital outlay; however, budget amendments were not approved. Management and the Board will more closely review the budget reports to ensure compliance in future years.

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

**Cause:** The primary financial reporting team within the Town did not have sufficient training to identify proper budgeting procedures in a timely manner.

**Recommendation:** The Town should continue to proper training for the finance department staff related to North Carolina General Statutes and best practices within governmental accounting and finance.

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

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



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**FINANCIAL STATEMENT FINDINGS**

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**SIGNIFICANT DEFICIENCY**

**2021-4 Noncompliance with North Carolina General Statute – Pre-Audit Certificate**

**Criteria:** North Carolina G.S. 159-28(d) states that each check bear on its face a pre-audit certificate signed by the finance officer or deputy finance officer stating the instrument has been pre-audited in the manner required by the Local Government Budget and Fiscal Control Act.

**Condition:** In reviewing records and testing certain cash disbursements, we noted the Town did not have proper documentation of the pre-audit process being performed prior to disbursement of funds.

**Effect:** The Town is in violation of North Carolina G.S. 159-28(d) as the Town's check stock does not contain proper pre-audit certificate language, and no other documentation was available to substantiate the pre-audit was performed.

**Cause:** The primary financial reporting team within the Town did not have significant experience with proper processes regarding financial reporting due to turnover in key staff positions. As a result, several tasks and processes were not performed accurately or timely.

**Recommendation:** The Town should continue to provide training for the finance department staff related to North Carolina General Statutes and best practices within governmental accounting and finance.

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

**Corrective action:** The Town has begun identifying areas where additional training is available and implement new controls to comply with proper cash disbursement and budgetary procedures.