



REVIEWED

By SLGFD at 3:18 pm, May 31, 2022

Town of Cofield

FINANCIAL REPORT

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Town of Cofield, 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 Cofield, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, the business-type activities, and each major fund of the Town as of June 30, 2021, and the respective changes in financial position and, where appropriate, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 50 and 51, respectively be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the individual fund financial 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 May 23, 2022 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, P.L.L.C.

CARR, RIGGS & INGRAM, P.L.L.C.
New Bern, North Carolina
May 23, 2022

Town of Cofield

Management Discussion and Analysis

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

Financial Highlights

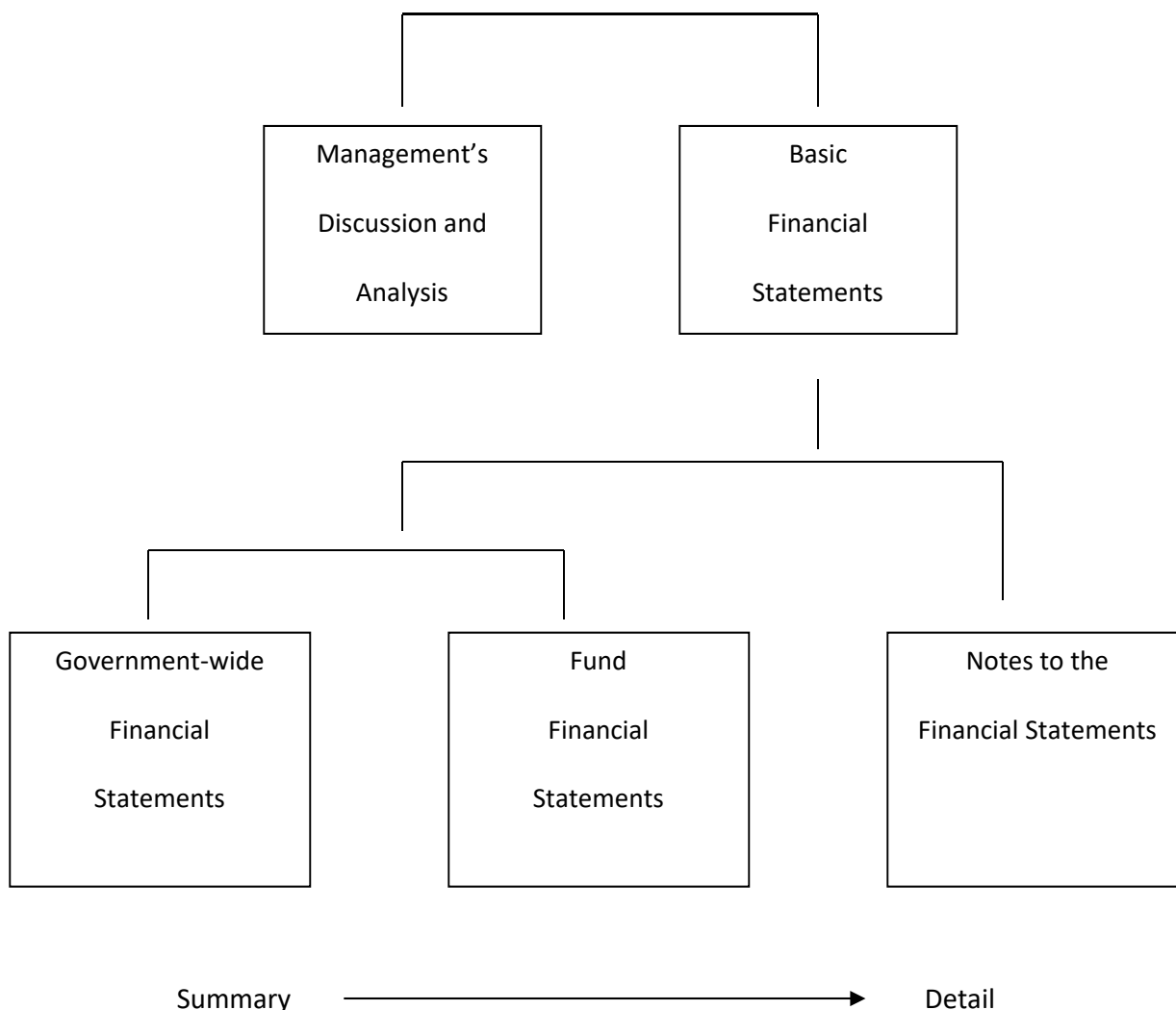
- The assets and deferred outflows of resources of the Town exceeded its liabilities at the close of the fiscal year by \$3,844,409 (net position).
- The government’s total net position decreased by \$148,810, primarily due to decreases in governmental activities net position.
- As of the close of the current fiscal year, the Town’s governmental funds reported an ending fund balance of \$1,084,552, a decrease of \$174,105 in comparison with the prior year. Approximately 24.52% percent of this total amount, or \$265,900, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$580,920 or 121.73% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town’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.

Town of Cofield Management Discussion and Analysis

Required Components of Annual Financial Report



Basic Financial Statements

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

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

Town of Cofield Management Discussion and Analysis

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 can also be found in this part of the statements.

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, transportation, environmental protection, 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 water and sewer services offered by the Town.

The government-wide financial statements are 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 of the Town's budget ordinance. All of the funds of 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.

Town of Cofield

Management Discussion and Analysis

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

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

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

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

Other Information – In addition to basic financial statements and accompanying notes, this report includes certain 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 50 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 Cofield Management Discussion and Analysis

Town of Cofield's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 1,118,481	\$ 1,279,418	\$ 463,919	\$ 380,370	\$ 1,582,400	\$ 1,659,788
Capital assets	976,444	953,369	1,932,190	2,019,542	2,908,634	2,972,911
Deferred outflows of resources	46,206	31,537	-	-	46,206	31,537
Total assets and deferred outflows of resources	2,141,131	2,264,324	2,396,109	2,399,912	4,537,240	4,664,236
Long term liabilities outstanding	53,347	29,347	609,500	609,500	662,847	638,847
Current and other liabilities	19,153	7,761	10,831	24,409	29,984	32,170
Total liabilities and deferred inflows of resources	72,500	37,108	620,331	633,909	692,831	671,017
Net position:						
Net investment in capital assets	976,444	953,369	1,322,690	1,392,542	2,299,134	2,345,911
Restricted	265,900	308,854	-	-	265,900	308,854
Unrestricted	826,287	964,993	453,088	373,461	1,279,375	1,338,454
Total net position	\$ 2,068,631	\$ 2,227,216	\$ 1,775,778	\$ 1,766,003	\$ 3,844,409	\$ 3,993,219

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 \$3,844,409 as of June 30, 2021. The Town's net position decreased by \$148,810 for the fiscal year ended June 30, 2021. However, the largest portion (59.80%) 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, \$265,900 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,279,375 is unrestricted.

Town of Cofield Management Discussion and Analysis

Town of Cofield's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 27,742	\$ 32,404	\$ 264,841	\$ 262,284	\$ 292,583	\$ 294,688
Operating grants and contributions	27,018	10,427	-	-	27,018	10,427
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	113,149	103,194	-	-	113,149	103,194
Other taxes	115,679	130,731	-	-	115,679	130,731
Other	18,733	5,277	154	-	18,887	5,277
Total revenues	302,321	282,033	264,995	262,284	567,316	544,317
Expenses:						
General government	311,922	267,761	-	-	311,922	267,761
Public safety	13,660	11,258	-	-	13,660	11,258
Transportation	66,514	71,820	-	-	66,514	71,820
Environmental protection	25,615	20,924	-	-	25,615	20,924
Cultural and recreation	43,195	34,399	-	-	43,195	34,399
Interest	-	-	18,219	18,815	18,219	18,815
Water & sewer	-	-	237,001	196,012	237,001	196,012
Total expenses	460,906	406,162	255,220	214,827	716,126	620,989
Increase (decrease) in net position	(158,585)	(124,129)	9,775	47,457	(148,810)	(76,672)
Net position, July 1	2,227,216	2,351,345	1,766,003	1,718,546	3,993,219	4,069,891
Net position, June 30	\$ 2,068,631	\$ 2,227,216	\$ 1,775,778	\$ 1,766,003	\$ 3,844,409	\$ 3,993,219

Governmental Activities: Governmental activities decreased the Town's net position by \$158,585. The decrease in net position was the result of increases in expenses primarily for general government.

Business-type Activities: Business-type activities increased the Town's net position by \$9,775. The increase in net position was the result of increases in both operating revenues and expenses.

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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$580,920, while total fund balance reached \$1,084,552. 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 121.73% of total General Fund expenditures, and total fund balance represents 227.26% of the same amount.

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

Expenditures were less than budgeted amounts primarily because the Town used fiscal constraint to stay within budget. Revenues were slightly under budget due to lower than expected property taxes and unrestricted intergovernmental revenues.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$453,088. The total increase in net position was \$9,775, primarily due to consumption increases and efficiencies gained in billing.

Capital Assets. As of June 30, 2021, the Town's investment in capital assets for its governmental and business-type activities totals \$2,908,634. These assets included buildings, improvements, land, equipment, and plant and distribution systems.

Town of Cofield Management Discussion and Analysis

Town of Cofield's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 334,488	\$ 336,116	\$ 8,050	\$ 8,050	\$ 342,538	\$ 344,166
Construction in progress	-	-	-	60,862	-	60,862
Buildings & plant systems	478,355	497,478	1,924,140	1,950,630	2,402,495	2,448,108
Other improvements	85,192	30,461	-	-	85,192	30,461
Machinery & equipment	78,409	89,314	-	-	78,409	89,314
Total	\$ 976,444	\$ 953,369	\$ 1,932,190	\$ 2,019,542	\$ 2,908,634	\$ 2,972,911

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

Long-term Debt. As of June 30, 2021, the Town had total debt outstanding of \$609,500. Of this, \$113,500 is debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents bonds secured solely by specified revenue sources (e.g. revenue bonds).

	Business-type Activities	
	2021	2020
General obligation	\$ 113,500	\$ 121,000
Revenue bond	496,000	506,000
Total	\$ 609,500	\$ 627,000

The Town's total debt decreased by \$17,500 during the past fiscal year, due to principal payments made on outstanding debt.

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 that government's boundaries. The legal debt margin for Town of Cofield is \$1,904,712.

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

Town of Cofield Management 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 of Cofield currently does not have any major industry.
- The Town of Cofield has a population of 390 citizens, most of which work within education and health care industries.
- The majority of retired citizens receive their sole income through social security benefits.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Town's ad valorem rate will remain stable for the fiscal year ending June 30, 2022.

Budget expenditures in the General Fund are expected to decrease by less than 1%.

Business – type Activities: Water and sewer revenues are expected to remain stable with less than a 1% increase. Budgeted expenses are expected to decrease by 2% as planned system improvements were completed and placed in service in FY21.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town Clerk, Town of Cofield, Post Office Box 99, Cofield, NC 27922. One may also call (252)358-8611.

Town of Cofield
Statement of Net Position
June 30, 2021
Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 803,449	\$ 500,745	\$ 1,304,194
Investments	33,299	-	33,299
Taxes receivable (net)	14,776	-	14,776
Accounts receivable (net)	17,815	21,946	39,761
Internal balances	60,622	(60,622)	-
Restricted cash and cash equivalents	188,520	1,850	190,370
Total current assets	1,118,481	463,919	1,582,400
Non-current assets:			
Capital assets:			
Land and non-depreciable assets	334,488	8,050	342,538
Other capital assets, net of depreciation	641,956	1,924,140	2,566,096
Total capital assets	976,444	1,932,190	2,908,634
Total assets	2,094,925	2,396,109	4,491,034
DEFERRED OUTFLOWS OF RESOURCES			
Pension deferrals	46,206	-	46,206
LIABILITIES			
Current liabilities:			
Accounts payable	15,770	8,981	24,751
Customer deposits	-	1,850	1,850
Deferred revenues	3,383	-	3,383
Current portion long-term liabilities	945	18,000	18,945
Total current liabilities	20,098	28,831	48,929
Long-term liabilities:			
Net pension liability	51,457	-	51,457
Due in more than one year	945	591,500	592,445
Total liabilities	72,500	620,331	692,831
NET POSITION			
Net investment in capital assets	976,444	1,322,690	2,299,134
Restricted for:			
Stabilization by State Statute	78,437	-	78,437
Powell Bill - Streets	36,487	-	36,487
Infrastructure	147,593	-	147,593
Public safety	3,383	-	3,383
Unrestricted	826,287	453,088	1,279,375
Total net position	\$ 2,068,631	\$ 1,775,778	\$ 3,844,409

The accompanying notes are an integral part of these financial statements.

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 311,922	\$ -	\$ -	\$ -	\$ (311,922)	\$ -	\$ (311,922)
Public safety	13,660	-	17,146	-	3,486	-	3,486
Transportation	66,514	-	9,872	-	(56,642)	-	(56,642)
Environmental protection	25,615	25,062	-	-	(553)	-	(553)
Cultural and recreation	43,195	2,680	-	-	(40,515)	-	(40,515)
Total governmental activities	460,906	27,742	27,018	-	(406,146)	-	(406,146)
Business-type activities:							
Water and sewer	255,220	264,841	-	-	-	9,621	9,621
Total primary government	\$ 716,126	\$ 292,583	\$ 27,018	\$ -	(406,146)	9,621	(396,525)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					113,149	-	113,149
Other taxes					115,679	-	115,679
Unrestricted investment earnings					132	-	132
Miscellaneous					5,529	-	5,529
Investment earnings					-	154	154
Gain on sale of property					13,072	-	13,072
Total general revenues					247,561	154	247,715
Change in net position					(158,585)	9,775	(148,810)
Net position, beginning					2,227,216	1,766,003	3,993,219
Net position, ending					\$ 2,068,631	\$ 1,775,778	\$ 3,844,409

The accompanying notes are an integral part of these financial statements.

Town of Cofield
Balance Sheet – Governmental Fund
June 30, 2021
Exhibit 3

	<u>Major Fund</u> General
ASSETS	
Cash and cash equivalents	\$ 803,449
Restricted cash	188,520
Investments	33,299
Receivables, net:	
Taxes	14,776
Accounts	17,815
Due from other funds	60,622
Total assets	\$ 1,118,481
LIABILITIES	
Accounts payable and accrued liabilities	\$ 15,770
Deferred revenues	3,383
Total liabilities	19,153
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	14,776
FUND BALANCES	
Restricted	
Stabilization by State Statute	78,437
Powell Bill - Streets	36,487
Infrastructure	147,593
Public safety	3,383
Assigned	
Subsequent year's expenditures	237,732
Unassigned	580,920
Total fund balances	1,084,552
Total liabilities, deferred inflows of resources and fund balances	\$ 1,118,481

The accompanying notes are an integral part of these financial statements.

Town of Cofield
Reconciliation of the Governmental Fund Balance
Sheet to the Statement of Net Position
June 30, 2021
Exhibit 3

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

Total fund balances - governmental funds	\$ 1,084,552	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$ 1,360,537	
Accumulated depreciation	(384,093)	976,444
<hr/>		
Deferred outflows of resources related to pensions are not reported in the funds		46,206
Long term liabilities used in governmental activities are not financial uses and therefore not reported in the funds		
Net pension liability		(51,457)
Earned revenues considered deferred inflows of resources in fund statements		
		14,776
Other long-term liabilities are not due and payable in the current period and therefore are not reported in the fund - compensated absences		
		(1,890)
Net position of governmental activities	\$ 2,068,631	

The accompanying notes are an integral part of these financial statements.

Town of Cofield
Statement of Revenues, Expenditures, and Change
in Fund Balances –Governmental Fund
For the Year Ended June 30, 2021
Exhibit 4

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 112,318
Unrestricted intergovernmental	115,679
Restricted intergovernmental	27,018
Sales and service	27,742
Investment earnings	132
Miscellaneous	5,529
Total revenues	288,418
EXPENDITURES	
Current:	
General government	300,054
Public safety	13,660
Transportation	114,592
Environmental protection	25,615
Cultural and recreation	23,302
Total expenditures	477,223
OTHER FINANCING SOURCES	
Sale of capital assets	14,700
Total other financing sources	14,700
Net change in fund balance	(174,105)
Fund balances:	
Beginning	1,258,657
Ending	\$ 1,084,552

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021
Exhibit 4

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

Net change in fund balances - governmental funds	\$ (174,105)
--	--------------

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

Capital outlay expenditures which were capitalized	59,650	
Depreciation expense for governmental assets	<u>(34,947)</u>	24,703

Cost of capital assets disposed of during the year, not recognized on modified accrual basis	(1,628)
--	---------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities	14,888
--	--------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in unavailable revenue for tax revenues	831
--	-----

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	(23,274)
Total changes in net position of governmental activities	\$ (158,585)

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Revenues, Expenditures, and Change
in Fund Balances –Budget to Actual
General Fund
For the Year Ended June 30, 2021
Exhibit 5

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 153,590	\$ 153,590	\$ 112,318	\$ (41,272)
Unrestricted intergovernmental	126,493	126,493	115,679	(10,814)
Restricted intergovernmental	5,282	5,282	27,018	21,736
Sales and service	27,080	27,080	27,742	662
Investment earnings	817	817	52	(765)
Miscellaneous income	13,000	13,000	5,529	(7,471)
Total revenues	326,262	326,262	288,338	(37,924)
EXPENDITURES				
Current:				
General government	334,610	345,328	300,054	45,274
Public safety	17,000	17,000	13,660	3,340
Transportation	118,282	118,282	114,592	3,690
Environmental protection	43,700	45,363	25,615	19,748
Cultural and recreation	23,120	23,120	23,302	(182)
Total expenditures	536,712	549,093	477,223	71,870
Revenues over (under) expenditures	(210,450)	(222,831)	(188,885)	33,946
OTHER FINANCING SOURCES				
Sale of capital assets	-	-	14,700	14,700
Total other financing sources	-	-	14,700	-
Fund balance appropriated	210,450	222,831	-	(222,831)
Net change in fund balance	\$ -	\$ -	(174,185)	\$ (188,885)
Fund balances:				
Beginning			1,111,144	
Ending			<u>\$ 936,959</u>	
A legally budgeted Capital Reserve Fund is consolidated into the General Fund for reporting purposes:				
Investment earnings			80	
Fund balances, beginning			147,513	
Fund balances, ending (Exhibit 4)			<u>\$ 1,084,552</u>	

The accompanying footnotes are an integral part of these financial statements.

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

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 500,745
Restricted cash and cash equivalents	1,850
Accounts receivable (net)	21,946
Total current assets	524,541
Noncurrent assets:	
Land and other non-depreciable assets	8,050
Other capital assets, net of depreciation	1,924,140
Total capital assets	1,932,190
Total assets	2,456,731
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	8,981
Due to other funds	60,622
Customer deposits	1,850
Revenue bonds payable - current	10,000
General obligation bonds payable - current	8,000
Total current liabilities	89,453
Non-current liabilities:	
Revenue bond payable - non-current	486,000
General obligation bonds payable - non-current	105,500
Total non-current liabilities	591,500
Total liabilities	680,953
NET POSITION	
Net investment in capital assets	1,322,690
Unrestricted	453,088
Total net position	\$ 1,775,778

The accompanying footnotes are an integral part of these financial statements.

Town of Cofield
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Fund
For the Year Ended June 30, 2021
Exhibit 7

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 264,741
Water and sewer tap fees	100
Total operating revenues	264,841
OPERATING EXPENSES	
Administration	36,665
Water treatment and distribution	29,233
Sewage treatment	71,152
Depreciation	99,951
Total operating expenses	237,001
Operating income	27,840
NONOPERATING REVENUES (EXPENSES)	
Interest income	154
Interest and fees	(18,219)
Total nonoperating revenues (expenses)	(18,065)
Change in net position	9,775
Total net position, beginning	1,766,003
Total net position, ending	\$ 1,775,778

The accompanying footnotes are an integral part of these financial statements.

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

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 265,235
Cash paid for goods and services	(108,453)
Cash paid to or on behalf of employees for services	(24,975)
Customer deposits received	300
Net cash provided (used) by operating activities	132,107
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in due to other funds	(4,982)
Net cash provided (used) by noncapital financing activities	(4,982)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(12,599)
Principal paid on bond maturities	(17,500)
Interest paid on bond maturities	(18,219)
Net cash provided (used) by capital and related financing activities	(48,318)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	154
Net cash provided (used) by investing activities	154
Net increase in cash and cash equivalents	78,961
Balances, beginning	423,634
Balances, ending	\$ 502,595
Reconciliation of cash - ending:	
Cash and cash equivalents	\$ 500,745
Restricted cash and cash equivalents	1,850
Total cash and cash equivalents	\$ 502,595
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 27,840
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	99,951
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	394
Increase (decrease) in accounts payable	3,622
Increase (decrease) in customer deposits	300
Net cash provided (used) by operating activities	\$ 132,107

The accompanying footnotes are an integral part of these financial statements.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Cofield (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 five-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 non-major funds. As of June 30, 2021, the Town did not have any non-major funds.

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

NOTE I – 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 general government, public safety, street maintenance and construction, and sanitation services. Additionally, the Town has legally adopted a Capital Reserve Fund. Under GASB 54 guidance the Capital Reserve Fund is consolidated in the General Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

Sales taxes and certain intergovernmental revenues, such as 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 Hertford 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. 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 general revenues.

NOTE I – 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. Project ordinances are adopted for all capital project funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by any amounts. All amendments must be approved by the governing board and the 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 Net Position/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 reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

All cash and investments are essentially demand deposits and are considered cash and cash equivalents.

Town of Cofield
Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Town's access to 100 percent of their account value in either external investment pool.

3. Restricted Assets

Money in the Capital Reserve Fund is classified as restricted cash because its use is restricted to the Capital Reserve Fund per NC G.S. Chapter 159, Article 3, Part 2. Powell Bill funds are also classified as restricted cash because it can be expended only for the purposes outlined in G.S. 136-41.1 through 136-41.4. CARES grant funds represent unspent grant funds as of June 30, 2021 and is restricted for allowable expenses. Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected.

Governmental activities:

General Fund	
Powell Bill	\$ 36,487
Capital Reserve	148,650
CARES grant funds	3,383
Total governmental activities	188,520

Business-type activities:

Water and Sewer Fund	
Customer deposits	1,850
Total restricted cash	\$ 190,370

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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Allowance for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land - \$100; buildings, improvements, substations, lines, and other plant and distribution systems - \$100; infrastructure - \$100; furniture and equipment - \$100; and vehicles - \$100. 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 water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Buildings	30
Plant and distribution systems	40
Improvements	20
Vehicles	10
Furniture and equipment	10

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 for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 one item that meets the criterion for this category – property taxes receivable.

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 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 thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide statement, 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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State Statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State Statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "Restricted by State Statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. 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 Infrastructure – portion of fund balance that is restricted for expenditures related to upgrading the Town's infrastructure. [G.S. Chapter 159, Article 3, Part 2].

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted for Public Safety – portion of fund balance that is restricted for public safety per grant restrictions

Assigned Fund Balance – portion of fund balance that the Town intends to use for a specific purpose.

Subsequent year's expenditures – portion of fund balance that is appropriated in next year's budget that is not already classified as restricted or committed. The governing body approves the appropriation.

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Future Accounting Pronouncements – Accounting Standards Issues but Not Yet Effective

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.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. 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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and 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 II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 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 failed to provide complete and timely accounting records for the year ended June 30, 2021. The Town's annual audit was submitted late due to turnover in key positions and accounting software conversion issues. The Town will continue to review their procedures and policies to assure that their annual audit is submitted in a timely manner in the future.

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The Town is in violation of N.C.G.S. 159-13(b)(6) which states the estimated percentage of collection of property taxes shall not be greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year. The Town improperly budgeted expected property tax revenues for the year ending June 30, 2021. Town will continue to review their procedures and policies to assure that proper budget requirements are followed.

NOTE III – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit'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 agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town 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. 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 provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,494,564 and a bank balance of \$1,496,162. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (Continued)

2. Investments

At June 30, 2021, the Town investment had \$33,299 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit risk rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. 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	\$	4,925
Water and Sewer Fund - Accounts receivable		2,332
Total	\$	7,257

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 336,116	\$ -	\$ 1,628	\$ 334,488
Total capital assets not being depreciated	336,116	-	1,628	334,488
Capital assets being depreciated:				
Buildings	609,620	-	-	609,620
Other improvements	54,071	59,650	-	113,721
Equipment	217,687	-	-	217,687
Vehicles and motorized equipment	85,021	-	-	85,021
Total capital assets being depreciated	966,399	59,650	-	1,026,049
Less accumulated depreciation for:				
Buildings	112,142	19,123	-	131,265
Other improvements	23,610	4,919	-	28,529
Equipment	128,373	10,905	-	139,278
Vehicles and motorized equipment	85,021	-	-	85,021
Total accumulated depreciation	349,146	\$ 34,947	\$ -	384,093
Total capital assets being depreciated, net	617,253			641,956
Governmental activities capital assets, net	<u>\$ 953,369</u>			<u>\$ 976,444</u>

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

General government	\$ 13,982
Transportation	1,072
Cultural and recreation	19,893
Total	<u>\$ 34,947</u>

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

4. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 8,050	\$ -	\$ -	\$ 8,050
Construction in progress	60,862	5,214	66,076	-
Total capital assets not being depreciated	68,912	5,214	66,076	8,050
Capital assets being depreciated:				
Plant and distribution systems	3,457,063	73,461	-	3,530,524
Total capital assets being depreciated	3,457,063	73,461	-	3,530,524
Less accumulated depreciation for:				
Plant and distribution systems	1,506,433	99,951	-	1,606,384
Total accumulated depreciation	1,506,433	\$ 99,951	\$ -	1,606,384
Total capital assets being depreciated, net	1,950,630			1,924,140
Business-type activities capital assets, net	<u>\$ 2,019,542</u>			<u>\$ 1,932,190</u>

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Cofield 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 government 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.

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

The State's ACFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Cofield 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 of Cofield's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation 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 of Cofield were \$14,888 for the year ended June 30, 2021.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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 \$51,457 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 0.00144%, which was an increase of 0.0004% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$23,274. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,498	\$ -
Change of assumptions	3,829	-
Net difference between projected and actual earnings on pension plan investments	7,241	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,750	-
Town contributions subsequent to the measurement date	14,888	-
Total	\$ 46,206	\$ -

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

\$14,888 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	\$ 10,062
2023	11,191
2024	7,923
2025	2,142
2026	-
Thereafter	-
	\$ 31,318

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	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.0 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.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	100%	

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.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate. The following presents the Town's proportionate share of the net pension 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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's portionate share of the net pension liability (asset)	\$ 104,401	\$ 51,457	\$ 7,457

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.

2. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Town contributions subsequent to the measurement date	\$ 14,888
Differences between expected and actual experience	6,498
Changes of assumptions	3,829
Net difference between projected and actual earnings	7,241
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,750
Total	\$ 46,206

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	14,776
Total	\$ -	\$ 14,776

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 two 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 \$3 million per occurrence, property coverage up to the total insurance values of the property policy, and workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$1 million and \$500,000 up to statutory limits for workers' compensation. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years. The Town carries flood insurance for its water tanks and lift stations. Because these areas in the Town have been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town has purchased coverage at replacement cost for each structure.

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

4. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town had no pending lawsuits.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

5. Long-Term Obligations

a. General Obligation Indebtedness

The Town's general obligation bonds serviced by the enterprise fund were issued for the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2021 are comprised of the following individual issues:

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$226,000 1993 Water and Sewer serial bonds due in annual instalments of \$3,000 to \$10,000 through June 1, 2033; interest not to exceed 5.12% per annum	\$	113,500
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Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ended June 30	Business-type Activities	
	Principal	Interest
2022	\$ 8,000	\$ 5,817
2023	8,000	5,407
2024	9,000	4,997
2025	9,000	4,536
2026	9,500	4,074
2027-2031	50,000	12,813
2032-2033	20,000	1,537
Total	\$ 113,500	\$ 39,181

At June 30, 2021, the Town had bonds authorized and outstanding of \$113,500, and a legal debt margin of \$1,904,712.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

b. Revenue bond

Revenue Bonds

Serviced by the Water and Sewer Fund:

\$543,000 Water and Sewer Revenue Bonds, Series 2014, issued for water and sewer system improvements. Principal and interest installments are due annually on June 1, at an annual interest rate of 2.375%.

\$ 496,000

The future payments of the revenue bond are as follows :

Year Ended June 30	Principal	Interest
2022	\$ 10,000	\$ 11,780
2023	10,000	11,543
2024	11,000	11,305
2025	11,000	11,044
2026	11,000	10,783
2027-2031	59,000	49,851
2032-2036	67,000	42,489
2037-2041	75,000	34,176
2042-2046	84,000	24,866
2047-2051	95,000	14,345
2052-2054	63,000	3,039
Total	\$ 496,000	\$ 225,221

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

The Town is in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issuance of the Water and Sewer Revenue Bonds, Series 2014. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%. The debt service coverage ratio calculation for the year ended June 30, 2021 is as follows :

Operating revenues	\$ 264,841
Operating expenses *	137,050
Income available for debt service	<u>\$ 127,791</u>
Debt service, principal and interest	\$ 35,719
Debt service coverage ratio	357.77%

* Per rate covenants, does not include depreciation expense of \$99,951.

c. Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,890	\$ -	\$ -	\$ 1,890	\$ 945
Net pension liability (LGERS)	28,402	23,055	-	51,457	-
Governmental activities long-term liabilities	<u>\$ 30,292</u>	<u>\$ 23,055</u>	<u>\$ -</u>	<u>\$ 53,347</u>	<u>\$ 945</u>
Business-type activities:					
General obligation bonds	\$ 121,000	\$ -	\$ 7,500	\$ 113,500	\$ 8,000
Revenue bonds	506,000	-	10,000	496,000	10,000
Business-type activities long-term liabilities	<u>\$ 627,000</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 609,500</u>	<u>\$ 18,000</u>

C. Interfund Balances and Activity

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

Due to the General Fund for current year expenditures paid for the Water Fund in the amount of \$60,622.

Town of Cofield
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

D. Fund Balance

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

Total fund balance-General Fund	\$ 1,084,552
Less:	
Stabilization by State Statute	78,437
Streets-Powell Bill	36,487
Infrastructure	147,593
Public safety	3,383
Appropriated Fund Balance in 2022 budget	237,732
Remaining Fund Balance	<u>\$ 580,920</u>

NOTE IV – SUMMARY OF 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 V – UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of June 30, 2021.

NOTE VI – SUBSEQUENT EVENTS

In October 2021, the Town determined that an employee was incorrectly omitted from the Local Governmental Employees' Retirement System's monthly ORBIT report from 2012 through 2018. The employee was eligible for 6.0833 years of additional retirement credit. As such, the Town paid a settlement of \$36,800 to the Local Governmental Employees' Retirement System in settlement of the additional retirement credits.

Town of Cofield
Town's Proportionate Share of Net Pension Liability
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Years*

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Cofield's proportion of the net pension liability (asset) (%)	0.00144%	0.00104%	0.00036%	0.00039%	0.00047%	0.00047%	0.00051%	0.00122%
Cofield's proportion of the net pension liability (asset) (\$)	\$ 51,457	\$ 28,402	\$ 8,540	\$ 5,958	\$ 9,775	\$ 2,109	\$ (3,008)	\$ 4,826
Cofield's covered-employee payroll	116,546	103,634	\$ 63,590	\$ 69,119	\$ 67,932	\$ 70,233	\$ 68,258	\$ 66,090
Cofield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.15%	27.41%	13.43%	8.62%	14.39%	3.00%	-4.41%	7.30%
Plan fiduciary net position as a percentage of the total pension liability **	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

* 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 Cofield
Schedule of Contributions
Local Government Employees' Retirement System
Required Supplementary Information
Last Eight Fiscal Years*

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 14,888	\$ 10,431	\$ 8,032	\$ 4,769	\$ 4,811	\$ 4,557	\$ 4,957	\$ 4,826
Contributions in relation to the contractually required contribution	14,888	10,431	8,032	4,769	4,811	4,557	4,957	4,826
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cofield's covered-employee payroll	\$146,683	\$116,546	\$103,634	\$63,590	\$69,119	\$67,932	\$70,233	\$68,258
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	7.50%	6.96%	6.71%	7.06%	7.07%

* 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 Cofield
Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes:			
Taxes		\$ 111,397	
Penalties and interest		921	
Total ad valorem taxes	\$ 153,590	112,318	\$ (41,272)
Unrestricted intergovernmental:			
Local option sales taxes		57,918	
Beer and wine tax		1,679	
Utility franchise tax		54,826	
Solid waste disposal tax		299	
ABC Profits		957	
Total unrestricted intergovernmental	126,493	115,679	(10,814)
Restricted intergovernmental:			
CARES funds		17,146	
Powell Bill allocation		9,872	
Total restricted intergovernmental	5,282	27,018	21,736
Sales and service:			
Rent		2,680	
Waste disposal fees		25,062	
Total sales and service	27,080	27,742	662
Investment earnings	817	52	(765)
Miscellaneous			
Sale of materials		5,000	
Miscellaneous income		529	
Total miscellaneous	13,000	5,529	(7,471)
Total revenues	326,262	288,338	(37,924)

Town of Cofield
Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government:			
Governing body:			
Salaries and employee benefits	13,860	15,460	(1,600)
Administration:			
Salaries and employee benefits		106,070	
Operating expenditures		143,869	
Professional services		19,700	
Capital outlay		10,500	
Total administration	321,468	280,139	41,329
Legal:			
Professional services	10,000	4,455	5,545
Total general government	345,328	300,054	45,274
Public safety:			
Fire protection		12,000	
Police protection		1,660	
Total public safety	17,000	13,660	3,340
Transportation:			
Streets:			
Salaries and employee benefits		52,497	
Street lights		12,170	
Other operating expenditures		775	
Capital outlay		49,150	
Total transportation	118,282	114,592	3,690
Environmental protection:			
Solid waste:			
Collection fees		9,804	
Operating expenditures		15,811	
Total environmental protection	45,363	25,615	19,748

Town of Cofield
Schedule of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Cultural and recreation:			
Recreation center:			
Salaries and employee benefits		13,666	
Operating expenditures		9,636	
Total cultural and recreation	23,120	23,302	(182)
Total expenditures	549,093	477,223	71,870
Revenues over (under) expenditures	(222,831)	(188,885)	33,946
OTHER FINANCING SOURCES			
Sale of capital assets	-	14,700	14,700
Fund balance appropriated	222,831	-	(222,831)
Net change in fund balance	\$ -	(174,185)	\$ (174,185)
Fund balances:			
Beginning		1,111,144	
Ending		<u>\$ 936,959</u>	

Town of Cofield
Schedules of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
Capital Reserve Fund
For the Year Ended June 30, 2021

	Budget		Actual		Variance Positive (Negative)
REVENUES					
Investment earnings	\$	-	\$	80	\$ 80
Total revenues		-		80	80
EXPENDITURES					
Infrastructure				-	
Total expenditures		-		-	-
Revenues over expenditures	\$	-		80	\$ 80
Fund balances:					
Beginning				147,513	
Ending			\$	147,593	

Town of Cofield
Schedules 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)
REVENUES			
Operating revenues:			
Charges for services:			
Water sales		\$ 128,949	
Sewer sales		134,207	
Connection fees		100	
Penalties		1,585	
Total operating revenues	\$ 234,700	264,841	\$ 30,141
Nonoperating revenues:			
Investment earning		154	154
Total nonoperating revenues	37,062	154	(36,908)
Total revenues	271,762	264,995	(6,767)
EXPENDITURES			
Water and sewer administration:			
Salaries and benefits		11,080	
Contracted services		10,090	
Other operating expenditures		15,495	
Total water and sewer administration	55,753	36,665	19,088
Water treatment and distribution:			
Salaries and benefits		13,895	
Repairs		9,723	
Utilities		5,615	
Total water treatment and distribution	59,950	29,233	30,717

Town of Cofield
Schedules 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)
Sewage treatment:			
Utilities		6,965	
Repairs		64,187	
Total sewage treatment	95,000	71,152	23,848
Debt service:			
Interest and fees		18,219	
Debt principal		17,500	
Total debt service	44,202	35,719	8,483
Capital outlay:			
Plant and distribution systems		12,599	
Total capital outlay	71,000	12,599	58,401
Total expenditures	325,905	185,368	140,537
Revenues over (under) expenditures	(54,143)	79,627	133,770
Fund balance appropriated	54,143	-	(54,143)
Revenues and other sources over expenditures	\$ -	79,627	\$ 79,627
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(99,951)	
Capital outlay		12,599	
Principal retirement		17,500	
Total reconciling items		(69,852)	
Change in net position		\$ 9,775	

Town of Cofield
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2019-2020	\$ -	\$ 113,525	\$ 108,269	\$ 5,256
2018-2019	5,202	-	2,126	3,076
2017-2018	4,195	-	951	3,244
2016-2017	2,132	-	111	2,021
2015-2016	1,415	-	11	1,404
2014-2015	1,197	-	41	1,156
2013-2014	1,370	-	11	1,359
2012-2013	699	-	16	683
2011-2012	776	-	121	655
2010-2011	847	-	-	847
2009-2010	761	-	761	-
	<u>\$ 18,594</u>	<u>\$ 113,525</u>	<u>\$ 112,418</u>	<u>19,701</u>

Less: allowance for uncollectible accounts 4,925

Ad valorem taxes receivable - net \$ 14,776

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 112,318
Reconciling items:	
Taxes written off	1,021
Interest collected	<u>(921)</u>
Subtotal	<u>100</u>
Total collections and credits	<u><u>\$ 112,418</u></u>

Town of Cofield
Analysis of Current Tax Levy
Town-wide Levy
For the Year Ended June 30, 2021

	Town-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 25,227,650	0.45	\$ 113,525	\$ 101,917	\$ 11,608
Penalties	-		-	-	-
Total	<u>25,227,650</u>		<u>113,525</u>	<u>101,917</u>	<u>11,608</u>
Discoveries					
Current Year Taxes	-	0.45	-	-	-
Releases	-		-	-	-
Total property valuation	<u>\$ 25,227,650</u>				
Net levy			113,525	101,917	11,608
Uncollected taxes at June 30, 2021			<u>5,256</u>	<u>5,256</u>	-
Current years taxes collected			<u>\$ 108,269</u>	<u>\$ 96,661</u>	<u>\$ 11,608</u>
Current levy collection percentage			<u>95.37%</u>	<u>94.84%</u>	<u>100.00%</u>

**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 Cofield, 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 Cofield, 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 May 23, 2022.

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 deficiencies 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 deficiencies described in the accompany schedule of findings and responses as items 2021-4 and 2021-5 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 no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Town's Response to Finding

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

Purpose of this Report

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



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

May 23, 2022

New Bern, North Carolina

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

FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-1 Key account reconciliations

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.

Condition: In reviewing records and testing certain cash account balances within the general fund, we noted that several accounts were not reconciled and adjusted. Several adjustments had to be 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 staff members were assigned new roles and responsibilities. As a result, several tasks and processes were not performed timely.

Identification of a repeat finding: This is a repeat finding from the prior audit identified as item 2020-1.

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 reorganizing functions within the finance department that will 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 June 30, 2022.

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

Material Weakness

2021-2 Financial Reporting – Revenues

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.

Condition: In reviewing records and testing certain revenue account balances within the general fund, we noted that several transactions were not properly recorded. Several adjustments had to be 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. Individual significant proposed adjustments included the omission of CARES grant funding in the amount of \$20,529.

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

Recommendation: The Town should create a monthly financial close listing, including the review of all cash receipts and cash disbursements. 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: Management is in the process of reorganizing functions within the finance department that will improve processes and ensure that proper review procedures are conducted. Implementation of new controls are being addressed and should be completed no later than June 30, 2022.

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

Material Weakness

2021-3 Financial Reporting – Expenditures

Criteria: Management should have a system in place to reduce the likelihood of errors in financial reporting and ensure the timeliness of financial reporting.

Condition: In reviewing records and testing certain expense account balances within the general fund, we noted that several transactions were not properly recorded. Several adjustments had to be 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. Individual significant proposed adjustments included the omission of expenditures related to a street paving project in the amount of \$49,150.

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

Recommendation: The Town should create a monthly financial close listing, including the review of all cash receipts and cash disbursements. 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: Management is in the process of reorganizing functions within the finance department that will improve processes and ensure that proper review procedures are conducted. Implementation of new controls are being addressed and should be completed no later than June 30, 2022.

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

Significant Deficiency

2021-4 Noncompliance with North Carolina General State Statute

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

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

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

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

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

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

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

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

Significant Deficiency

2021-5 Noncompliance with North Carolina General State Statute

Criteria: North Carolina G.S. 159-13(b)(6) states that the estimated percentage of collection of property taxes budgeted shall not be greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year.

Condition: In reviewing the Town's budget, it was determined that the Town budgeted ad valorem tax revenues greater than the percentage of the levy actually realized in cash as of June 30 during the preceding fiscal year.

Effect: The Town did not collect the full amount of budgeted ad valorem tax revenues; therefore, expenditures exceeded revenues and caused a decrease in the Town's fund balance.

Cause: Turnover in key positions and lack of understanding of North Carolina General Statute 159-13(b) related to the budget ordinance; form, adoption, limitations, tax levy and filing caused the Town to improperly budget ad valorem tax revenues.

Recommendation: The Town should continue to provide training for the finance department staffing related to North Carolina General Statutes and governmental financial accounting procedures.

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 budgetary requirements.