

TOWN OF COVE CITY, NORTH CAROLINA

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED JUNE 30, 2021

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Cove City, North Carolina

June 30, 2021

Board of Commissioners

Dred C. Mitchell, Mayor
Barbara H. Jones, Mayor Pro Tem
Evelyn E. Brown
Blenda Hargett
Linda H. McCoy
Roy D. McCoy

Administrative Staff

Lydia P. Monette, Town Clerk

Town of Cove City, North Carolina
Table of Contents
June 30, 2021

	<u>Page</u>
 Financial Section	
Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
 Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
Statement of Fund Net Position – Proprietary Fund	18
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Fund	19
Statement of Cash Flows – Proprietary Fund	20
Notes to the Financial Statements	21
 Required Supplemental Financial Data	
Schedule of the Proportionate Share of the Net Pension Liability – Local Government Employees’ Retirement Systems	40
Schedule of Contributions – Local Government Employees’ Retirement System	41

Individual Fund Statements and Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	42
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - 2019 CDBG Neighborhood Revitalization Program	44
Schedule of Revenues and Expenditures – Budget and Actual (Non – GAAP) - Water and Sewer Fund	45

Other Schedules

Schedule of Ad Valorem Taxes Receivable	47
Analysis of Current Tax Levy – Town-wide Levy	48

Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Cove City, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Town of Cove City, North Carolina. The combining and individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory information has not been subjected to the auditing procedures applied in the audit of basic financial statements and accordingly, I do not express an opinion or provide assurance on them.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive style with a large initial 'G'.

Gregory T. Redman, CPA
Tarboro, North Carolina
March 29, 2022

Management's Discussion and Analysis

**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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

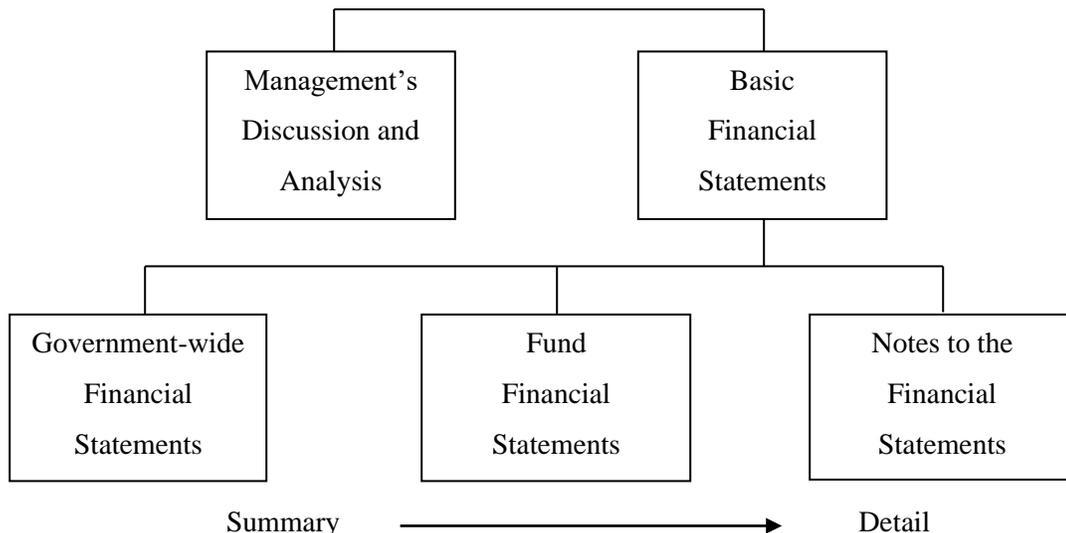
Financial Highlights

- The assets and deferred outflows of resources of the Town of Cove City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,868,772 (net position).
- The government's total net position decreased by \$187,831 primarily due to depreciation expense of \$178,751 in the business-type activities.
- At the close of the current fiscal year, the Town of Cove City's governmental funds reported an ending fund balance of \$289,631, an increase of \$1,884 in comparison with the prior year. Approximately 45 percent of this total amount, or \$129,600, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$160,031 or 131 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Cove City'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. The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Cove City.

Required Components of Annual Financial Report



**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Basic Financial Statements

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

The next section of the basic financial statements is the Notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, Supplemental Information is provided to show details about the Town's individual funds.

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

Government-wide Financial Statements

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

The two government-wide statements report the Town's net position and how it has changed. Net position is the difference between the Town's total assets and total liabilities 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 service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Cove City.

Fund Financial Statements

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

**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

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

The Town of Cove City 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's, 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. Town of Cove City has one proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Cove City 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.

Interdependence with Other Entities. The Town depends on financial resources flowing from, or associated with, both the State of North Carolina and the surrounding counties. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to State and local laws and State and local 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 Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Government-wide Financial Analysis

The Town of Cove City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 294,884	\$ 292,386	\$ 96,270	\$ 125,892	\$ 391,154	\$ 418,278
Capital assets	337,640	331,340	5,286,833	5,458,584	5,624,473	5,789,924
Deferred outflows of resources	6,753	8,968	6,753	8,969	13,506	17,937
Total Assets and Deferred Outflows of Resources	<u>639,277</u>	<u>632,694</u>	<u>5,389,856</u>	<u>5,593,445</u>	<u>\$ 6,029,133</u>	<u>\$ 6,226,139</u>
Long-term liabilities outstanding	7,861	11,197	99,061	113,797	\$ 106,922	\$ 124,994
Other liabilities	1,914	482	47,897	44,060	49,811	44,542
Deferred inflows of resources	1,986	-	1,642	-	3,628	-
Total Liabilities and Deferred Inflows of Resources	<u>11,761</u>	<u>11,679</u>	<u>148,600</u>	<u>157,857</u>	<u>160,361</u>	<u>169,536</u>
Net Position:						
Net investment in capital assets	297,918	331,340	5,184,233	5,344,584	\$ 5,482,151	\$ 5,675,924
Restricted	129,600	130,821	-	-	129,600	130,821
Unrestricted	199,998	158,854	57,023	91,004	257,021	249,858
Total Net Position	<u>\$ 627,516</u>	<u>\$ 621,015</u>	<u>\$ 5,241,256</u>	<u>\$ 5,435,588</u>	<u>\$ 5,868,772</u>	<u>\$ 6,056,603</u>

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 of Cove City exceeded liabilities and deferred inflows of resources by \$5,868,772 as of June 30, 2021. The Town's net position decreased by \$187,831 for the fiscal year ended June 30, 2021. However, the largest portion (93%) reflects the Town's net investment in capital assets (e.g. land, buildings, water system, sewer system, machinery, and equipment). The Town of Cove City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Cove City'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 of Cove City's net position, \$129,600, represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Cove City's net position, \$257,021, is unrestricted.

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

- Continued diligence in the collection of property taxes. This year's collection rate was 95.03%, which is a slight decrease compared to the previous year's rate of 95.29%.

**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Town of Cove City Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 206,266	\$ 206,363	\$ 206,266	\$ 206,363
Operating grants and contributions	11,252	12,053	-	-	11,252	12,053
Capital grants and contributions	5,188	-	-	-	5,188	-
General revenues:						
Property taxes	51,992	50,764	-	-	51,992	50,764
Other taxes	173	2	-	-	173	2
Grants and contributions not restricted	51,605	47,645	-	-	51,605	47,645
Other	7,524	1,501	42	81	7,566	1,582
Total Revenues	<u>\$127,734</u>	<u>\$111,965</u>	<u>\$ 206,308</u>	<u>\$ 206,444</u>	<u>\$ 334,042</u>	<u>\$ 318,409</u>
Expenses:						
General government	\$ 78,575	\$101,807	\$ -	\$ -	\$ 78,575	\$ 101,807
Highways/streets	30,596	20,402	-	-	30,596	20,402
Economic and physical development	5,188	20,402	-	-	5,188	20,402
Culture and recreation	6,874	9,775	-	-	6,874	9,775
Water	-	-	400,640	381,632	400,640	381,632
Total Expenses	<u>\$121,233</u>	<u>\$152,386</u>	<u>\$ 400,640</u>	<u>\$ 381,632</u>	<u>\$ 521,873</u>	<u>\$ 534,018</u>
Increase(decrease) in net position before transfers	6,501	(40,421)	(194,332)	(175,188)	(187,831)	(215,609)
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	<u>6,501</u>	<u>(40,421)</u>	<u>(194,332)</u>	<u>(175,188)</u>	<u>(187,831)</u>	<u>(215,609)</u>
Net position, July 1	<u>621,015</u>	<u>641,034</u>	<u>5,435,588</u>	<u>5,610,776</u>	<u>6,056,603</u>	<u>6,251,810</u>
Net position, June 30	<u>\$627,516</u>	<u>\$600,613</u>	<u>\$5,241,256</u>	<u>\$5,435,588</u>	<u>\$5,868,772</u>	<u>\$6,036,201</u>

Governmental Activities. Governmental activities increased the Town's net position by \$6,501 compared to a decrease in the prior year of \$20,019. The increase is due to an increase in Revenues.

Business-type Activities. Business-type activities decreased the Town of Cove City's net position by \$194,332. The main reason for this decrease is depreciation expense of \$178,751.

**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Cove City. At the end of the current fiscal year, Town of Cove City's fund balance available in the General Fund was \$160,031, while total fund balance was \$289,631. The Governing Body of the Town of Cove City has determined that the Town should maintain an available fund balance of 20% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 131% of general fund expenditures, and total fund balance represents 239% of the same amount.

At June 30, 2021, the governmental fund of Town of Cove City reported a fund balance of \$289,631 with a net increase in fund balance of \$1,884.

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

General Fund line-item amendments were necessary to prevent over expenditures on certain items including utility costs, insurance, repairs, and maintenance.

Proprietary Funds: The Town of Cove City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water & Sewer Fund at the end of the fiscal year amounted to \$57,023. The total decrease in overall Water & Sewer Fund net position was \$194,332. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets: The Town of Cove City's investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$5,624,473 (net of accumulated depreciation).

These assets include buildings, water systems, sewer systems, land, machinery, equipment, park facilities, and vehicles.

The capital asset transactions during the year included ball field improvements.

**Town of Cove City, North Carolina
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Town of Cove City's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 187,916	\$ 187,916	\$ 145,831	\$ 145,831	\$ 333,747	\$ 333,747
Buildings and systems	57,062	38,781	5,131,938	5,301,793	5,189,000	5,340,574
Improvements other than buildings	43,334	44,821	-	-	43,334	44,821
Machinery and equipment	9,606	10,907	9,064	10,960	18,670	21,867
Construction in progress	39,722	48,915	-	-	39,722	48,915
Total	\$ 337,640	\$ 331,340	\$ 5,286,833	\$ 5,458,584	\$ 5,624,473	\$ 5,789,924

Additional information on the Town's capital assets can be found in Note III(A)(4) of the Basic Financial Statements.

Long-term Debt: As of June 30, 2021 the Town of Cove City had total debt outstanding of \$102,600. This amount is due to the Capitalization Grants State Revolving Funds.

Economic Factors and Next Year's Budgets and Rates

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

- New home construction and improvements to rental property being made throughout the Town.
- The Town has two new business.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Governmental Fund budget for the 21-22 fiscal year remained basically the same.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Town of Cove City, Lydia Monette, Town Clerk, Post Office Box 8, Cove City, NC 28523 or by calling the Town Hall (252) 633-1595.

Financial Section

Basic Financial Statements

Town of Cove City, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 162,289	\$ 116,226	\$ 278,515
Taxes receivables (net)	2,574	-	2,574
Accrued interest receivable on taxes	421	-	421
Accounts receivable (net)	-	20,388	20,388
Due from other governments	17,392	-	17,392
Internal balances	57,986	(57,986)	-
Prepaid items	-	413	413
Restricted cash and cash equivalents	54,222	17,229	71,451
Total Current Assets	\$ 294,884	\$ 96,270	\$ 391,154
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 227,638	\$ 145,831	\$ 373,469
Other capital assets, net of depreciation	110,002	5,141,002	5,251,004
Total capital assets	\$ 337,640	\$ 5,286,833	\$ 5,624,473
Total Assets	\$ 632,524	\$ 5,383,103	\$ 6,015,627
Deferred Outflows of Resources			
Pension deferrals	\$ 6,753	\$ 6,753	\$ 13,506
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,914	\$ 19,268	\$ 21,182
Current portion of long-term liabilities	-	11,400	11,400
Payable from restricted assets	-	17,229	17,229
Total Current Liabilities	\$ 1,914	\$ 47,897	\$ 49,811
Long-term liabilities:			
Net pension liability	\$ 7,861	\$ 7,861	\$ 15,722
Due in more than one year	-	91,200	91,200
Total Long-term liabilities	\$ 7,861	\$ 99,061	\$ 106,922
Total Liabilities	\$ 9,775	\$ 146,958	\$ 156,733
Deferred Inflows of Resources			
Prepaid taxes	\$ 344	\$ 1,642	\$ 1,986
Pension deferrals	1,642	-	1,642
Total Deferred Inflows of Resources	\$ 1,986	\$ 1,642	\$ 3,628
Net Position			
Net investment in capital assets	\$ 297,918	\$ 5,184,233	\$ 5,482,151
Restricted for:			
Transportation	54,222	-	54,222
Stabilization by State Statute	75,378	-	75,378
Unrestricted	199,998	57,023	257,021
Total Net Position	\$ 627,516	\$ 5,241,256	\$ 5,868,772

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

Town of Cove City, North Carolina
Statement of Activities
For the Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>
Primary Government							
Governmental Activities:							
General government	\$ 78,575	\$ -	\$ -	\$ -	\$ (78,575)	\$ -	\$ (78,575)
Public safety	-	-	-	-	-	-	-
Transportation	30,596	-	11,252	-	(19,344)	-	(19,344)
Economic and physical development	5,188	-	-	5,188	-	-	-
Environmental protection	-	-	-	-	-	-	-
Cultural and recreation	6,874	-	-	-	(6,874)	-	(6,874)
Interest on long-term debt	-	-	-	-	-	-	-
Total Governmental Activities	<u>\$ 121,233</u>	<u>\$ -</u>	<u>\$ 11,252</u>	<u>\$ 5,188</u>	<u>\$ (104,793)</u>	<u>\$ -</u>	<u>\$ (104,793)</u>
Business-type activities:							
Water and Sewer	400,640	206,266	-	-	-	(194,374)	(194,374)
Total business-type activities	<u>\$ 400,640</u>	<u>\$ 206,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (194,374)</u>	<u>\$ (194,374)</u>
Total Primary Government	<u>\$ 521,873</u>	<u>\$ 206,266</u>	<u>\$ 11,252</u>	<u>\$ 5,188</u>	<u>\$ (104,793)</u>	<u>\$ (194,374)</u>	<u>\$ (299,167)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 51,992	\$ -	\$ 51,992
Other taxes					173	-	173
Grants and contributions not restricted to specific programs					51,605	-	-
Unrestricted investment earnings					69	42	111
Miscellaneous					7,455	-	7,455
Fema proceeds					-	-	-
Total General Revenues, not including transfers					<u>111,294</u>	<u>42</u>	<u>59,731</u>
Change in Net Position					\$ 6,501	\$ (194,332)	\$ (187,831)
Net Position, previously reported					<u>621,015</u>	<u>5,435,588</u>	<u>6,056,603</u>
Net Position, end of year					<u>\$ 627,516</u>	<u>\$ 5,241,256</u>	<u>\$ 5,868,772</u>

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

Town of Cove City, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Major Funds</u>	<u>Non-major Funds</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 162,289	\$ -	\$ 162,289
Restricted cash	54,222	-	54,222
Receivables, net:			
Taxes	2,574	-	2,574
Due from other governments	12,204	5,188	17,392
Due from other funds	63,174	-	63,174
Total Assets	<u>\$ 294,463</u>	<u>\$ 5,188</u>	<u>\$ 299,651</u>
Liabilities			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,914	\$ -	\$ 1,914
Due to other funds	-	5,188	5,188
Total Liabilities	<u>\$ 1,914</u>	<u>\$ 5,188</u>	<u>\$ 7,102</u>
Deferred Inflows of Resources			
Property taxes receivable	\$ 2,574	\$ -	\$ 2,574
Prepaid taxes	344	-	344
Total Deferred Inflows of Resources	<u>\$ 2,918</u>	<u>\$ -</u>	<u>\$ 2,918</u>
Fund Balances			
Restricted:			
Stabilization by State Statute	\$ 75,378	\$ -	\$ 75,378
Streets	54,222	-	54,222
Assigned			
Subsequent year's expenditures	-	-	-
Unassigned	160,031	-	160,031
Total fund balance	<u>\$ 289,631</u>	<u>\$ -</u>	<u>\$ 289,631</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 294,463</u>	<u>\$ 5,188</u>	<u>\$ 299,651</u>

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

Town of Cove City, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021

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

Ending Fund Balance - Governmental Funds	\$	289,631
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		337,640
Deferred outflows of resources related to pension are not report in the funds		6,753
Net pension liability		(7,861)
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are deferred in the funds		421
Deferred inflows of resources related to pension are not report in the funds		(1,642)
Liabilities for earned revenues considered deferred infows of resources in fund statements		2,574
		2,574
Net Position of Governmental Activities	\$	627,516

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

Town of Cove City, North Carolina
Statement of Revenues, Expenditures And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	<u>Major Funds</u>	<u>Non-major Funds</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues			
Ad valorem taxes	\$ 53,154	\$ -	\$ 53,154
Other taxes and licenses	173	-	173
Unrestricted intergovernmental	51,605	-	51,605
Restricted intergovernmental	11,252	5,188	16,440
Sales and services	-	-	-
Investment earnings	69	-	69
Miscellaneous	7,455	-	7,455
Total Revenues	<u>\$ 123,708</u>	<u>\$ 5,188</u>	<u>\$ 128,896</u>
Expenditures			
Current:			
General government	\$ 78,594	\$ -	\$ 78,594
Transportation	28,406	-	28,406
Economic and physical development	-	5,188	5,188
Cultural and recreation	14,824	-	14,824
Total Expenditures	<u>\$ 121,824</u>	<u>\$ 5,188</u>	<u>\$ 127,012</u>
Excess of Revenues Over (Under) Expenditures	\$ 1,884	\$ -	\$ 1,884
Other Financing Sources (Uses)			
Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	\$ 1,884	\$ -	\$ 1,884
Fund Balances			
Beginning of year	287,747	-	287,747
End of year	<u>\$ 289,631</u>	<u>\$ -</u>	<u>\$ 289,631</u>

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

Town of Cove City, North Carolina
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement Activities
For the Year Ended June 30, 2021

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

Net Change in Fund Balance - Total Governmental Funds	\$	1,884
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period</p>		
Capital outlay expenditures which were capitalized	\$ 13,030	
Depreciation expense for governmental assets	<u>(6,730)</u>	6,300
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities		5,904
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		
Amount of donated assets	-	
Change in unavailable revenue for tax revenues	<u>(1,162)</u>	(1,162)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Pension expense		<u>(6,425)</u>
Total Changes in Net Position of Governmental Activities	\$	<u><u>6,501</u></u>

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

Town of Cove City, North Carolina
General Fund
Statement of Revenues, Expenditures, And
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	General Fund			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Ad valorem taxes	\$ 46,900	\$ 46,900	\$ 53,154	\$ 6,254
Other taxes and licenses	-	-	173	173
Unrestricted intergovernmental	46,850	46,850	51,605	4,755
Restricted intergovernmental	12,055	12,055	11,252	(803)
Sales and services	-	-	-	-
Investment earnings	125	125	69	(56)
Miscellaneous	100	100	7,455	7,355
Total Revenues	<u>\$ 106,030</u>	<u>\$ 106,030</u>	<u>\$ 123,708</u>	<u>\$ 17,678</u>
Expenditures				
Current				
General government	\$ 63,950	\$ 62,400	\$ 78,594	\$ (16,194)
Transportation	30,080	28,630	28,406	224
Cultural and recreation	12,000	15,000	14,824	176
Total Expenditures	<u>\$ 106,030</u>	<u>\$ 106,030</u>	<u>\$ 121,824</u>	<u>\$ (15,794)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,884</u>	<u>\$ 1,884</u>
Other Financing Sources (Uses)				
Powell fund appropriation	\$ -	\$ -	\$ -	\$ -
General fund appropriation	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	1,884	<u>1,884</u>
Fund Balances				
Beginning of year			<u>287,747</u>	
End of year			<u>\$ 289,631</u>	

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

Town of Cove City, North Carolina
Statement of Net Position
Proprietary Funds
June 30, 2021

	Water and Sewer Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 116,226
Accounts receivable (net)	19,485
Other receivables	903
Due from other funds	-
Prepaid items	413
Restricted cash and cash equivalents	17,229
Total Current Assets	\$ 154,256
Noncurrent assets:	
Capital assets:	
Land and other non-depreciable assets	145,831
Other capital assets, net of depreciation	5,141,002
Capital assets (net)	\$ 5,286,833
Total Noncurrent Assets	\$ 5,286,833
Total Assets	\$ 5,441,089
Deferred Outflows of Resources	
Pension deferrals	\$ 6,753
Liabilities	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 19,268
Due to other funds	57,986
Revolving loan - current	11,400
Liabilities payable from restricted assets:	
Customer deposits	17,229
Total Current Liabilities	\$ 105,883
Long-term Liabilities:	
Net pension liability	7,861
Revolving loan - noncurrent	91,200
Total Long-term Liabilities	\$ 99,061
Total Liabilities	\$ 204,944
Deferred Inflows of Resources	
Pension deferrals	\$ 1,642
Net Position	
Net investment in capital assets	\$ 5,184,233
Unrestricted	57,023
Total Net Position	\$ 5,241,256

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

Town of Cove City, North Carolina
Statement of Revenues, Expenses, And Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Water and Sewer Fund
Operating Revenues	
Charges for services	\$ 193,610
Water and sewer taps	5,513
Other operating revenues	7,143
Total Operating Revenues	\$ 206,266
Operating Expenses	
General operations	\$ 221,889
Depreciation	178,751
Total Operating Expenses	\$ 400,640
Operating income (loss)	\$ (194,374)
Non-operating Revenues (Expenses)	
Investment earnings	\$ 42
Fema proceeds	-
Total Non-operating Revenues (expenses)	\$ 42
Income (loss) Before Contributions and Transfers	\$ (194,332)
Capital contributions	-
Change in Net Position	\$ (194,332)
Net Position, beginning	5,435,588
Net Position, ending	\$ 5,241,256

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

Town of Cove City, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Water and Sewer Fund
Cash Flows From Operating Activities	
Cash received from customers	\$ 208,006
Cash paid for goods and services	(180,420)
Cash paid to or on behalf of employees for services	(35,335)
Net Cash Provided (used) by Operating Activities	\$ (7,749)
Cash Flows From Noncapital Financing Activities	
(Increase) decrease in advances to other funds	\$ -
Increase (decrease) in due to other funds	(5,476)
Net Cash Provided by Noncapital Financing Activities	\$ (5,476)
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	\$ (7,000)
Principal paid on loans payable	(11,400)
Net Cash Provided (used) by Capital and Related Financing Activities	\$ (18,400)
Cash Flows From Investing Activities	
Interest and dividends	\$ 42
Net Increase (decrease) in Cash and Cash Equivalents	\$ (31,583)
Balances - Beginning of year	165,038
Balances - End of year	\$ 133,455
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (194,374)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	\$ 178,751
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	1,740
(Increase) decrease in other receivables	1,782
(Increase) decrease in prepaid items	(7)
Increase (decrease) in unavailable revenue	-
Increase in deferred outflows of resources - pensions	2,216
Increase in net pension liability	(3,336)
Decrease in deferred inflows of resources - pensions	1,642
Increase (decrease) in accounts payable and accrued liabilities	2,542
Increase in customer deposits	1,295
Total adjustments	\$ 186,625
Net Cash Provided by Operating Activities	\$ (7,749)

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

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Cove City is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town of Cove City, North Carolina.

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.

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.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

The Town reports the following non-major governmental funds:

Special Revenue Fund. The Special Revenue Fund is used to account for the specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Town has one Special Revenue Funds: 2019 CDBG Neighborhood Revitalization Program.

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.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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

Sales taxes and certain intergovernmental revenues, such as 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 of Cove City because the tax is levied by Greene County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 Funds. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Town may designate, as an official depository, and 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). As of June 30, 2021 the Town did not have any of these investments.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Customer deposits held by the Town before any services are supplied, are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, reporting, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Town of Cove City Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 54,222
Total Government Activities	<u>\$ 54,222</u>
Business-type Activities	
Water and Sewer Fund	
Customer deposits	\$ 17,229
Total Business-type Activities	<u>\$ 17,229</u>
Total Restricted Cash	<u><u>\$ 71,451</u></u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; Buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; furniture, computer software, and equipment, \$500; and vehicles, \$2,500. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50-100
Improvements	40
Vehicles	6-20
Furniture and equipment	10-40
Computer software	3-5
Computer equipment	3-5

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 meet this criterion, pension deferrals in the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category – prepaid taxes, property taxes receivables, and pension deferrals.

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.

9. Net Position/Fund Balances

Net Position

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

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

Restricted for Stabilization by State statute – North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds.

The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as “restricted by State statute”. *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is “imposed by the law through constitutional provisions or enabling legislation”. RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net position and Restricted fund balance on the face of the balance sheet.

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

Assigned fund balance – portion of fund balance that Town of Cove City intends to use for specific purposes.

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

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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

10. Pensions

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 of Cove City employer contributions are recognized when due and the Town of Cove City has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

Annual Audit

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2021 was not completed until March 29, 2022. Due to changeover in finance personnel, the final accounting records were not received for audit until February 2022. The Town has hired new staff and an outside accountant and anticipates more timely audits in the future.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

B. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for the following functions: General Government by \$16,194. The Water and Sewer Fund expenditures exceed authorized appropriations by \$17,889. These over-expenditures occurred due to increase in labor, materials, and other costs. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows.

However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

The Town has no formal policy regarding custodial credit risk for deposits but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designing official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$349,816 and a bank balance of \$350,311. Of the bank balance, all of it was covered by federal depository insurance. As of June 30, 2021, the Town's petty cash fund totaled \$150.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

2. Investments

At June 30, 2021, the Town held no investments.

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:

Business-type Activities:	
Customer accounts receivable	<u><u>\$ 10,128</u></u>

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 187,916	\$ -	\$ -	\$ 187,916
Construction in progress	48,915	-	9,193	39,722
Total capital assets not being depreciated	<u>\$ 236,831</u>	<u>\$ -</u>	<u>\$ 9,193</u>	<u>\$ 227,638</u>
Capital assets being depreciated:				
Buildings	\$ 77,243	\$ 19,974	\$ -	\$ 97,217
Other improvements	54,695	-	-	54,695
Equipment	55,208	2,249	-	57,457
Total capital assets being depreciated	<u>\$ 187,146</u>	<u>\$ 22,223</u>	<u>\$ -</u>	<u>\$ 209,369</u>
Less accumulated depreciation for:				
Buildings	\$ 38,462	\$ 1,693	\$ -	\$ 40,155
Other improvements	9,874	1,487	-	11,361
Equipment	44,301	3,550	-	47,851
Total accumulated depreciation	<u>\$ 92,637</u>	<u>\$ 6,730</u>	<u>\$ -</u>	<u>\$ 99,367</u>
Total capital assets being depreciated, net	<u>\$ 94,509</u>			<u>\$ 110,002</u>
Governmental activity capital assets, net	<u><u>\$ 331,340</u></u>			<u><u>\$ 337,640</u></u>

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

General government	\$ 1,709
Transportation	2,190
Cultural and recreation	2,831
Total Depreciation Expense	<u><u>\$ 6,730</u></u>

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ 145,831	\$ -	\$ -	\$ 145,831
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 145,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 145,831</u>
Capital assets being depreciated:				
Plant and distributions systems	\$7,093,841	\$ 7,000	\$ -	\$7,100,841
Substations, lines, and related equipment	31,366	-	-	31,366
Furniture and maintenance equipment	-	-	-	-
Buildings	-	-	-	-
Total capital assets being depreciated	<u>\$7,125,207</u>	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$7,132,207</u>
Less accumulated depreciation for:				
Plant and distributions systems	\$1,792,048	\$176,855	\$ -	\$1,968,903
Substations, lines, and related equipment	20,406	1,896	-	22,302
Furniture and maintenance equipment	-	-	-	-
Buildings	-	-	-	-
Total capital assets being depreciated	<u>\$1,812,454</u>	<u>\$178,751</u>	<u>\$ -</u>	<u>\$1,991,205</u>
Total capital assets being depreciated, net	<u>\$5,312,753</u>			<u>\$5,141,002</u>
Business-type activities capital assets, net	<u><u>\$5,458,584</u></u>			<u><u>\$5,286,833</u></u>

C. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

Plan Description. The Town of Cove City is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consist 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 for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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 of 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 member's contributions.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Cove City 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 Cove City contractually required contribution rate for the year ended June 30, 2021, was 10.15% 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 Cove City were \$5,043 for the year ended June 30, 2021.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

At June 30, 2021, the Town reported a liability of \$15,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. 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 asset 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 0.00044%, which was a decrease of 0.00038 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$6,949. 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	\$ 1,986	\$ -
Changes of assumptions	1,170	-
Net difference between projected and actual earnings on pension plan investments	2,213	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	2,233	3,283
Town contributions subsequent to the measurement date	5,904	-
Total	<u>\$ 13,506</u>	<u>\$ 3,283</u>

\$5,904 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

Year ended June 30		
2022	\$	2,284
2023		1,240
2024		139
2025		655
2026		-
Thereafter		-
	\$	4,318

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	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

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

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2018 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 31,900	\$ 15,723	\$ 2,279

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 for the State of North Carolina.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

2. Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year-end are comprised of the following elements:

Contributions to pension plan in current fiscal year	\$ 5,904
Differences between expected and actual experience	1,986
Changes of assumptions	1,170
Net difference between projected and actual earnings	2,213
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,233
Total	\$ 13,506

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivables, less penalties (General Fund)	\$ -	\$ 2,574
Prepaid taxes	344	344
Differences between expected and actual experience	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,283	-
	\$ 3,627	\$ 2,918

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

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

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

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 has crime coverage for employee dishonesty and forgery alteration, as well as coverage for theft of money or securities inside or outside of the premises. The finance officer is bonded for \$50,000.

4. Long-term Debt

Notes from Direct Borrowing

Loans payable consists of the following promissory notes:

Capitalization Grants for State Revolving Funds-Sewer Capital Project Fund: 2009 Sewer System Improvements-The Town borrowed \$241,374 for the constructions of a sewer system. The direct borrowing loan will be payable over a maximum twenty-year period and the interest rate on this note is 0%.

The following table summarizes the annual requirements to amortize all direct borrowings outstanding:

Water and Sewer:	Loans Payable	
	Principal	Interest
2022	\$ 11,400	-
2023	11,400	-
2024	11,400	-
2025	11,400	-
2026	11,400	-
2027-2031	45,600	-
Total	\$ 102,600	\$ -

The Town's outstanding note from direct borrowing related to the water and sewer fund in the amount of \$114,000 is pledged to be funded by future water and sewer customer revenues, net of specified operating expenses, to repay note from direct borrowing, issued in 2009. Proceeds from the bonds provided financing to construct a central sewer collection system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2030. The total principal and interest remaining to be paid on the bonds is \$114,000. At June 30, 2021, the legal debt margin was \$1,388,807.

Town of Cove City, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner DEQ may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net pension liability	\$ 11,197	\$ -	\$ 3,335	\$ 7,862	\$ -
	\$ 11,197	\$ -	\$ 3,335	\$ 7,862	\$ -
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Business-type Activities:					
State revolving loan	\$ 114,000	\$ -	\$ 11,400	\$ 102,600	\$ 11,400
Net pension liability	11,197	-	3,336	7,861	-
	\$ 125,197	\$ -	\$ 14,736	\$ 110,461	\$ 11,400

5. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

6. Interfund Balances and Activities

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

Due To	Due From	Amount
General Fund	Water Fund	\$ 57,986

The interfund balances have resulted from the sales tax refunds being deposited in one account and not being transferred to the various funds they belonged to and from the funds paying bills for funds when they did not have the cash flow to make the payments. The balances will be paid as cash flow permits which will not be in the next twelve months.

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

8. 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	\$ 289,631
Less:	
Stabilization by State Statute	75,378
Streets-Powell Bill	54,222
Working Capital/Fund Balance Policy	28,963
Remaining Fund Balance	131,068

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

IV. Jointly Governed Organizations

The Town, in conjunction with nine counties and forty-five other municipalities established the Eastern Carolina Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$218 to the Council during the fiscal year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Subsequent Events

As of March 29, 2022, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

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

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contribution to Local Government Employees' Retirement System

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Cove City's proportion of the net pension liability (asset) (%)	0.00044%	0.00082%	0.00081%	0.00101%	0.00031%	0.00038%	0.00042%	0.00050%
Town of Cove City's proportion of the net pension liability (asset) (\$)	\$ 15,723	\$ 22,394	\$ 19,216	\$ 15,430	\$ 6,579	\$ 1,706	\$ (2,477)	\$ 6,027
Town of Cove City's covered-employee payroll	\$ 56,349	\$ 57,792	\$ 58,071	\$ 54,144	\$ 53,444	\$ 30,515	\$ 29,938	\$ 28,933
Town of Cove City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.90%	38.75%	33.09%	28.50%	12.31%	5.59%	-8.27%	20.83%
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%

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,904	\$ 5,043	\$ 4,479	\$ 7,108	\$ 6,492	\$ 6,098	\$ 3,604	\$ 3,536
Contributions in relation to the contractually required contributions	5,904	5,043	4,479	7,108	6,492	6,098	3,604	3,536
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Cove City's covered-employee payroll	\$ 58,168	\$ 56,349	\$ 57,792	\$ 58,071	\$ 54,144	\$ 53,444	\$ 30,515	\$ 29,938
Contributions as a percentage of covered-employee payroll	10.15%	8.95%	7.75%	12.24%	11.99%	11.41%	11.81%	11.81%

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Current year	\$ 46,900	\$ 50,365	\$ 3,465
Prior years	-	2,219	2,219
Penalties and interest	-	570	570
Total	<u>\$ 46,900</u>	<u>\$ 53,154</u>	<u>\$ 6,254</u>
Other taxes and licenses:			
Vehicle tags	\$ -	\$ 173	\$ 173
Total	<u>\$ -</u>	<u>\$ 173</u>	<u>\$ 173</u>
Unrestricted intergovernmental:			
Local option sales taxes	\$ 25,000	\$ 28,385	\$ 3,385
Franchise tax	20,000	21,641	1,641
Sales tax refund	200	-	(200)
Beer and wine tax	1,650	1,579	(71)
Total	<u>\$ 46,850</u>	<u>\$ 51,605</u>	<u>\$ 4,755</u>
Restricted intergovernmental:			
Powell Bill allocation	\$ 12,055	\$ 11,252	\$ (803)
Total	<u>\$ 12,055</u>	<u>\$ 11,252</u>	<u>\$ (803)</u>
Sales and services:			
Recreation fees	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investment earnings:			
General	\$ 100	\$ 51	\$ (49)
Powell Fund	25	18	(7)
Total	<u>\$ 125</u>	<u>\$ 69</u>	<u>\$ (56)</u>
Miscellaneous:			
Miscellaneous revenue	\$ 100	\$ 7,455	\$ 7,355
Park grant	-	-	-
Total	<u>\$ 100</u>	<u>\$ 7,455</u>	<u>\$ 7,355</u>
Total Revenues	<u>\$ 106,030</u>	<u>\$ 123,708</u>	<u>\$ 17,678</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing Board		\$ 2,429	
Professional services		3,971	
Total	<u>\$ 6,500</u>	<u>\$ 6,400</u>	<u>\$ 100</u>
Administration:			
Salaries and employee benefits		\$ 43,615	
Other operating expenditures		26,330	
Capital outlay		2,249	
Total	<u>\$ 55,800</u>	<u>\$ 72,194</u>	<u>\$ (16,394)</u>
Elections:			
Other operating expenditures	\$ 100	\$ -	\$ 100
Total	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>
Planning:			
Other operating expenditures	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total General Government	<u>\$ 62,400</u>	<u>\$ 78,594</u>	<u>\$ (16,194)</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits		\$ 4,516	
Street lights		11,166	
Other operating expenditures		12,724	
Capital outlay		-	
Total Transportation	<u>\$ 28,630</u>	<u>\$ 28,406</u>	<u>\$ 224</u>
Culture and Recreation:			
Other operating expenditures		\$ 4,043	
Capital outlay		10,781	
Total Culture and Recreation	<u>\$ 15,000</u>	<u>\$ 14,824</u>	<u>\$ 176</u>
Total Expenditures	<u>\$ 106,030</u>	<u>\$ 121,824</u>	<u>\$ (15,794)</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1,884</u>	<u>\$ 1,884</u>
Other Financing Sources (uses):			
Powell Fund appropriation	\$ -	\$ -	\$ -
General Fund appropriation	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 1,884</u>	<u>\$ 1,884</u>
Fund Balances			
Beginning of year		287,747	
End of year		<u>\$ 289,631</u>	

Town of Cove City, North Carolina
2019 CDBG Neighborhood Revitalization Program
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Actual			Variance - Positive (Negative)
		Prior Year	Current Year	Total To Date	
Revenues:					
Restricted Intergovernmental:					
CDBG	\$ 750,000	\$ -	\$ 5,188	\$ 5,188	\$ (744,812)
Total Revenues	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 5,188</u>	<u>\$ 5,188</u>	<u>\$ (744,812)</u>
Expenditures:					
Private rehabilitation	\$ 676,000	\$ -	\$ -	\$ -	\$ 676,000
Administration	74,000	-	5,188	5,188	68,812
Total Expenditures	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 5,188</u>	<u>\$ 5,188</u>	<u>\$ 744,812</u>
Revenues Under Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Financing Sources (Uses):					
Local contribution - Sewer	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Operating Revenues:			
Charges for services	\$ 196,000	\$ 193,610	\$ (2,390)
Water and sewer taps	1,500	5,513	4,013
Other operating revenues	6,400	7,143	743
Total Operating Revenues	<u>\$ 203,900</u>	<u>\$ 206,266</u>	<u>\$ 2,366</u>
Nonoperating Revenues:			
Sales tax refund	\$ -	\$ -	\$ -
FEMA proceeds	-	-	-
Interest earnings	100	42	(58)
Total Operating Revenues	<u>\$ 100</u>	<u>\$ 42</u>	<u>\$ (58)</u>
Total Revenues	<u>\$ 204,000</u>	<u>\$ 206,308</u>	<u>\$ 2,308</u>
Expenditures			
Operating Expenditures:			
Water purchases		\$ 56,650	
Sewage processing fees		47,682	
Salaries and benefits		44,550	
Audit and legal		4,500	
Telephone and postage		-	
Water test and sample		509	
Training and conferences		-	
Miscellaneous expense		920	
Water supplies		-	
Fuel		1,347	
Repairs and maintenance		41,097	
Office supplies		2,307	
Utilities		9,591	
Travel and lodging		1,067	
Insurance		2,102	
Contract services		9,567	
Total	<u>\$ 204,000</u>	<u>\$ 221,889</u>	<u>\$ (17,889)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Debt Service:			
Principal retirement	\$ 11,400	\$ 11,400	\$ -
Total Debt Service	<u>\$ 11,400</u>	<u>\$ 11,400</u>	<u>\$ -</u>
Capital Outlay:			
Water and sewer equipment	\$ 7,000	\$ 7,000	\$ -
Total Expenditures	<u>\$ 222,400</u>	<u>\$ 240,289</u>	<u>\$ (17,889)</u>
Other Financing Sources (Uses)			
Appropriated retained earnings	\$ 18,400	\$ -	\$ (18,400)
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 18,400</u>	<u>\$ -</u>	<u>\$ (18,400)</u>
Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	<u>\$ -</u>	<u>\$ (33,981)</u>	<u>\$ (33,981)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Principal retirement		11,400	
Capital outlay		7,000	
Change in net pension liability and pension deferrals		-	
Depreciation		(178,751)	
Total Reconciling Items		<u>\$ (160,351)</u>	
Change in Net Position		<u>\$ (194,332)</u>	

Other Schedules

This section contains additional information on property taxes.

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

Town of Cove City, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 51,806	\$ 50,445	\$ 1,361
2019-2020	2,372	-	1,901	471
2018-2019	242	-	137	105
2017-2018	180	-	109	71
2016-2017	69	-	32	37
2015-2016	57	-	1	56
2014-2015	68	-	31	37
2013-2014	193	-	3	190
2012-2013	42	-	5	37
2011-2012	218	-	9	209
2010-2011	107	-	107	-
Total	\$ 3,548	\$ 51,806	\$ 52,780	\$ 2,574

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 53,154
Taxes written off	196
Subtotal	53,350
Less interest and penalties collected	(570)
Total collections and credits	<u>\$ 52,780</u>

Town of Cove City, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal 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 rate	\$ 19,187,407	0.27	\$ 51,806	\$ 38,616	\$ 13,190
Discoveries:					
Current year taxes	-	0.27	-	-	-
Abatements	-	0.27	-	-	-
Total Property Valuation	<u>\$ 19,187,407</u>				
Net levy			\$ 51,806	\$ 38,616	\$ 13,190
Uncollected taxes at June 30, 2021			<u>2,574</u>	<u>2,574</u>	<u>-</u>
Current year's taxes collected			<u>\$ 49,232</u>	<u>\$ 36,042</u>	<u>\$ 13,190</u>
Current levy collection percentage			<u>95.03%</u>	<u>93.33%</u>	<u>100.00%</u>