

REVIEWED

By SLGFD at 12:35 pm, Oct 15, 2021

TOWN OF CROSSNORE

Financial Statements

For the Year Ended June 30, 2021

COMBS, 
TENNANT & CARPENTER, P.C.
Certified Public Accountants

Town of Crossnore, North Carolina
Table of Contents
June 30, 2021

Exhibit

Financial Section:

Page

Independent Auditor's Report

1-2

Management's Discussion and Analysis

3-11

Basic Financial Statements:

Government - wide Financial Statements:

1 Statement of Net Position

12

2 Statement of Activities

13

Fund Financial Statements:

3 Balance Sheet - Governmental Funds

14

3 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

14

4 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

15

4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

16

5 Statement of Revenues, Expenditures, and Changes in Fund Balances - Annual Budget and Actual - General Fund

17

6 Statement of Net Position - Proprietary Funds

18

7 Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds

19

8 Statement of Cash Flows - Proprietary Funds

20

Notes to the Financial Statements

21-34

Individual Fund Statements and Schedules:

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund

35-36

Schedule of Revenues and Expenditures, and Changes in Fund Balance - Budget and Actual

Water and Sewer Fund

37-38

Other Schedules:

Schedule of Ad Valorem Taxes Receivable

39

Analysis of Current Tax Levy - Town Wide

40

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
Crossnore, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The individual fund financial statements, budgetary schedules and other schedules are the responsibility of management and were derived from and 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. In our opinion, based on our audit, the 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.

COMBS, TENNANT & CARPENTER, P.C.

COMBS, TENNANT & CARPENTER, P.C.
Certified Public Accountants
Boone, NC

September 24, 2021

Management's Discussion and Analysis

As management of the Town of Crossnore, we offer readers of the Town of Crossnore's financial statements this narrative overview and analysis of the financial activities of the Town of Crossnore 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

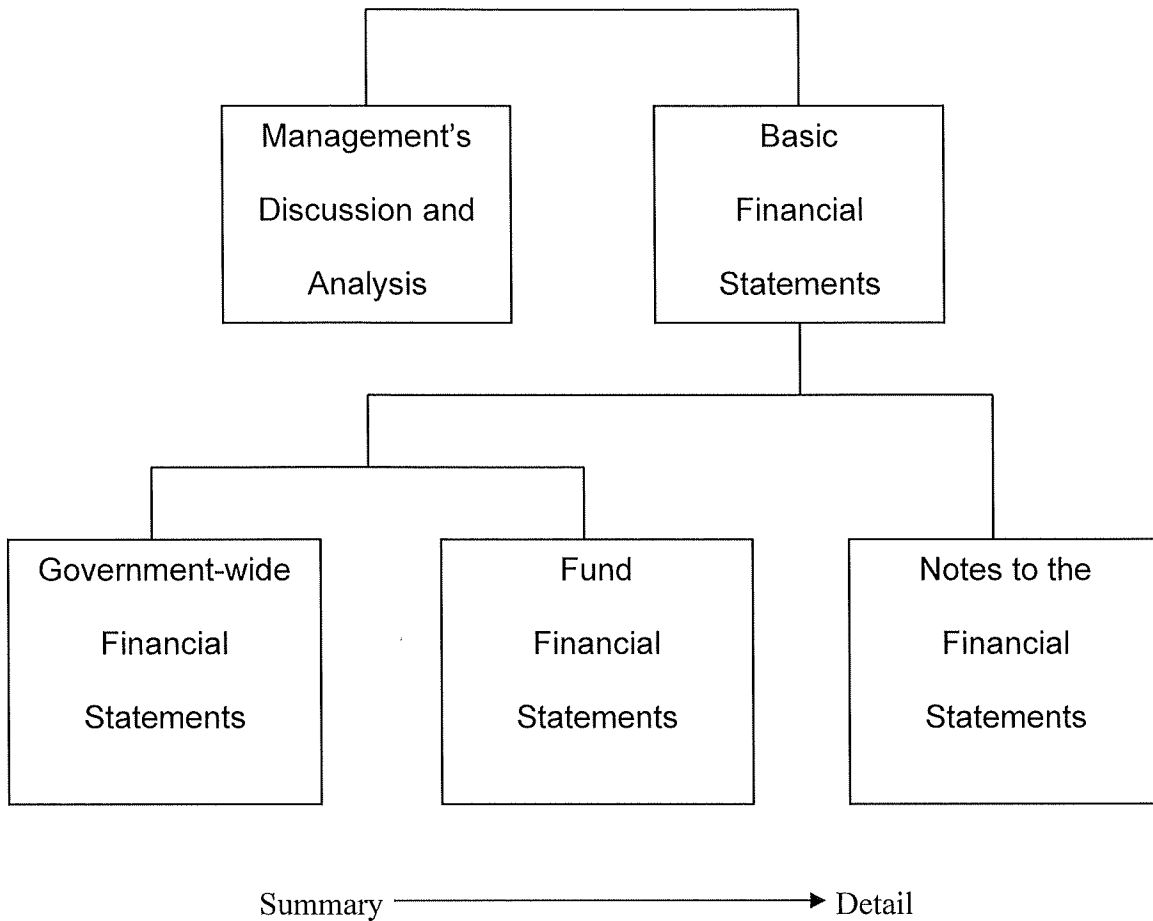
- The assets of the Town of Crossnore exceeded its liabilities at the close of the fiscal year by \$1,546,068 (*net position*).
- The government's total net position increased by \$32,416.
- As of the close of the current fiscal year, the Town of Crossnore's governmental fund reported an ending fund balance of \$242,552, with a net increase of \$36,428 in fund balance. Approximately 16.37 percent of this total amount, or \$39,714, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$199,088, or 170.19 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 Crossnore's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Crossnore.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show 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 they have changed. Net position is the difference between the Town's total assets and total liabilities. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial

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

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

Proprietary Funds – Town of Crossnore 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 Crossnore uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 21 of this report.

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

Government-Wide Financial Analysis

Town of Crossnore's Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Current and other assets	\$ 246,501	\$ 210,137	\$ 78,879	\$ 33,215	\$ 325,380	\$ 243,352
Capital assets	144,992	156,797	1,079,997	1,118,037	1,224,989	1,274,834
Total assets	391,493	366,934	1,158,876	1,151,252	1,550,369	1,518,186
Long-term liabilities	-	-	-	-	-	-
Other liabilities	51	684	4,250	3,850	4,301	4,534
Total liabilities	51	684	4,250	3,850	4,301	4,534
Net Assets:						
Net investment						
in capital assets	144,992	156,797	1,079,997	1,118,037	1,224,989	1,274,834
Restricted	37,445	32,035	-	-	37,445	32,035
Unrestricted	209,005	177,418	74,629	29,365	283,634	206,783
Total net position	\$ 391,442	\$ 366,250	\$ 1,154,626	\$ 1,147,402	\$ 1,546,068	\$ 1,513,652

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Crossnore exceeded liabilities by \$1,546,068 as of June 30, 2021. The Town's net position increased by \$32,416 for the fiscal year ended June 30, 2021. However, the largest portion (79.23%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Crossnore uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Crossnore's 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 Crossnore's net position, \$37,445 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$283,634 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 by maintaining a tax collection percentage of 88.87% excluding motor vehicles. The statewide average in fiscal year 2021 was 98.96%.

Town of Crossnore Changes in Net Position

Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 27	\$ 1,457	\$ 92,728	\$ 93,236	\$ 92,755	\$ 94,693
Operating grants and contributions	-	-	403	7,777	403	7,777
Capital grants and contributions	9,537	7,857	30,000	-	39,537	7,857
General revenues:						
Property taxes	32,150	32,081	-	-	32,150	32,081
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	110,399	96,671	-	-	110,399	96,671
Other	1,862	4,968	-	-	1,862	4,968
Total revenues	153,975	143,034	123,131	101,013	277,106	244,047
Expenses:						
General government	106,189	93,183	-	-	106,189	93,183
Public safety	-	-	-	-	-	-
Highways/streets	22,594	35,336	-	-	22,594	35,336
Water and sewer	-	-	115,907	115,847	115,907	115,847
Total expenses	128,783	128,519	115,907	115,847	244,690	244,366
Increase in net position before transfers	25,192	14,515	7,224	(14,834)	32,416	(319)
Transfers	-	-	-	-	-	-
Increase (decrease) in net position	25,192	14,515	7,224	(14,834)	32,416	(319)
Net position, July 1	366,250	351,735	1,147,402	1,162,236	1,513,652	1,513,971
Net position, June 30	\$ 391,442	\$ 366,250	\$ 1,154,626	\$ 1,147,402	\$ 1,546,068	\$ 1,513,652

Governmental activities. Governmental activities increased the Town's net position by \$25,192. Key elements of this increase are as follows:

- An increase in local option sales tax revenue.

Business-type activities: Business-type activities increased the Town of Crossnore's net position by \$7,224. Key elements of this decrease are as follows:

- A slight increase due to grant money from USDA.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Crossnore'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 Crossnore's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Crossnore. At the end of the current fiscal year, Town of Crossnore's fund balance available in the General Fund was \$199,088 while total fund balance reached \$242,552. The Governing Body of the Town of Crossnore has determined that the Town should maintain an available fund balance of 50% 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 170% of general fund expenditures, while total fund balance represents 207% of the same amount.

At June 30, 2021, the governmental fund of the Town of Crossnore reported a combined fund balance of \$242,552.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget one time.

Revenues were more than the budgeted amounts primarily because of grant monies received.

Proprietary Fund. The Town of Crossnore's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$74,629.

Capital Asset and Debt Administration

Capital assets. The Town of Crossnore's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$1,224,989 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

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

- A heat pump in the amount of \$4,900.

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

Figure 4

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Land	\$ 16,000	\$ 16,000	\$ 81,700	\$ 81,700	\$ 97,700	\$ 97,700
Construction in Progress	-	-	25,299	22,500	25,299	22,500
Buildings	70,087	75,154	-	-	70,087	75,154
Other improvements	13,061	13,939	959,756	995,331	972,817	1,009,270
Infrastructure	44,817	50,384	-	-	44,817	50,384
Equipment and furniture	1,027	1,320	13,242	18,506	14,269	19,826
Vehicles	-	-	-	-	-	-
Total	\$ 144,992	\$ 156,797	\$ 1,079,997	\$ 1,118,037	\$ 1,224,989	\$ 1,274,834

Additional information on the Town's capital assets can be found in note III.A.3 of the Basic Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- Property tax values will remain comparable to previous years

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes and budgeted expenditures in the General Fund are expected to remain constant.

Business – type Activities: The water and sewer rates and expenditures are expected to remain 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:

Finance Officer
Town of Crossnore
1 Fountain Circle
P.O. Box 129
Crossnore, NC 28616

Town of Crossnore, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 202,889	\$ 62,564	\$ 265,453
Taxes receivable (net)	3,267	-	3,267
Accrued interest receivable on taxes	631	-	631
Accounts receivable (net)	-	9,665	9,665
Due from other governments	20,088	-	20,088
Inventories	-	2,400	2,400
Prepaid items	2,269	-	2,269
Restricted cash and cash equivalents	17,357	4,250	21,607
Total current assets	246,501	78,879	325,380
Capital assets (Note 3):			
Land, non-depreciable improvements, and construction in progress	16,000	106,999	122,999
Other capital assets, net of depreciation	128,992	972,998	1,101,990
Total capital assets	144,992	1,079,997	1,224,989
Total assets	\$ 391,493	\$ 1,158,876	\$ 1,550,369
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 51	\$ -	\$ 51
Customer deposits	-	-	-
Due to primary government	-	-	-
Due to other governments	-	-	-
Payable from restricted assets	-	4,250	4,250
Total current liabilities	51	4,250	4,301
Long-term liabilities:			
Due in more than one year	-	-	-
Total liabilities	51	4,250	4,301
NET POSITION			
Net investment in capital assets	144,992	1,079,997	1,224,989
Restricted for:			
Stabilization by State Statute	20,088	-	20,088
Streets	17,357	-	17,357
Unrestricted	209,005	74,629	283,634
Total net position	\$ 391,442	\$ 1,154,626	\$ 1,546,068

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 106,189	\$ 27	\$ -	\$ 2,566	\$ (103,596)	\$ -	\$ (103,596)
Public safety	-	-	-	-	-	-	-
Transportation	22,594	-	-	6,971	(15,623)	-	(15,623)
Total governmental activities (See Note 1)	128,783	27	-	9,537	(119,219)	-	(119,219)
Business-type activities:							
Water and sewer	115,907	92,728	403	30,000	-	7,224	7,224
Total business-type activities	115,907	92,728	403	30,000	-	7,224	7,224
Total primary government	\$ 244,690	\$ 92,755	\$ 403	\$ 39,537	\$ (119,219)	\$ 7,224	\$ (111,995)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					32,150	-	32,150
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					110,399	-	110,399
Unrestricted investment earnings					100	-	100
Miscellaneous					1,762	-	1,762
Transfers					-	-	-
Total general revenues and transfers					144,411	-	144,411
Change in net position					25,192	7,224	32,416
Net position, beginning					366,250	1,147,402	1,513,652
Net position, ending					\$ 391,442	\$ 1,154,626	\$ 1,546,068

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

Exhibit 3

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

	Major Fund		Total Governmental Funds
	General Fund		
ASSETS			
Cash and cash equivalents	\$ 202,889	\$	202,889
Restricted cash	17,357		17,357
Receivables, net:			
Taxes	3,267		3,267
Accounts	-		-
Due from other governments	20,088		20,088
Prepaid expenses	2,269		2,269
Total assets	<u>\$ 245,870</u>	<u>\$</u>	<u>245,870</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 51	\$	51
Due to other funds	-		-
Unearned revenue	-		-
Total liabilities	<u>51</u>		<u>51</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes receivable	3,267		3,267
Total deferred inflows of resources	<u>3,267</u>		<u>3,267</u>
FUND BALANCES			
Non Spendable			
Prepays	2,269		2,269
Restricted			
Stabilization by State Statute	20,088		20,088
Streets-Powell bill	17,357		17,357
Assigned			
Subsequent year's expenditures	3,750		3,750
Unassigned	199,088		199,088
Total fund balances	<u>242,552</u>		<u>242,552</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 245,870</u>		
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Gross capital assets at historical costs	\$ 464,578		
Accumulated Depreciation	<u>(319,586)</u>		144,992
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.			
			631
Liabilities for earned revenues considered deferred inflows of resources in fund statements.			
			3,267
Net position of governmental activities		<u>\$</u>	<u>391,442</u>

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

Exhibit 4

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

	Major Fund		Total Governmental Funds
	General Fund		
REVENUES			
Ad valorem taxes	\$ 31,581	\$	31,581
Unrestricted intergovernmental	110,399		110,399
Restricted intergovernmental	9,537		9,537
Sales and services	27		27
Investment earnings	100		100
Miscellaneous	1,762		1,762
Total revenues	<u>153,406</u>		<u>153,406</u>
EXPENDITURES			
Current:			
General government	99,951		99,951
Transportation	17,027		17,027
Capital outlay	-		-
Total expenditures	<u>116,978</u>		<u>116,978</u>
Excess (deficiency) of revenues over expenditures	<u>36,428</u>		<u>36,428</u>
OTHER FINANCING SOURCES (USES)			
Transfer from Water and Sewer Capital Fund	-		-
Transfer to Water and Sewer Fund	-		-
Appropriated Fund Balance	-		-
Total other financing sources (uses)	<u>-</u>		<u>-</u>
Net change in fund balance	36,428		36,428
Fund balances, beginning as previously reported	<u>206,124</u>		<u>206,124</u>
Fund balances, ending	<u>\$ 242,552</u>	\$	<u>242,552</u>

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

Exhibit 4

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

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

Net changes in fund balances - total governmental funds	\$ 36,428
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital outlay expenditures which are capitalized	\$ 4,900	
Depreciation expense for governmental assets	<u>(16,705)</u>	(11,805)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	<u>569</u>
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Total changes in net position of governmental activities	<u><u>\$ 25,192</u></u>
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The notes to the financial statements are an integral part of this statement.

Exhibit 5

Town of Crossnore, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - 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	\$ 29,160	\$ 29,160	\$ 31,581	\$ 2,421
Unrestricted intergovernmental	77,700	77,700	110,399	32,699
Restricted intergovernmental	7,200	7,200	9,537	2,337
Sales and services	720	720	27	(693)
Investment earnings	24	24	100	76
Miscellaneous	1,200	1,200	1,762	562
Total revenues	116,004	116,004	153,406	37,402
Expenditures:				
Current:				
General government	106,254	102,254	99,951	2,303
Transportation	13,500	17,500	17,027	473
Total expenditures	119,754	119,754	116,978	2,776
Revenues over (under) expenditures	(3,750)	(3,750)	36,428	40,178
Other financing sources (uses):				
Transfers from other funds:				
Water / Sewer Capital Projects	-	-	-	-
Transfers to other funds				
Water / Sewer	-	-	-	-
Appropriated fund balance	3,750	3,750	-	(3,750)
Total other financing sources (uses)	3,750	3,750	-	(3,750)
Net change in fund balance	\$ -	\$ -	36,428	\$ 36,428
Fund balances, beginning as previously reported			206,124	
Fund balances, ending			\$ 242,552	

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

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

	Major Enterprise Fund		Total
	Water and Sewer Fund		
ASSETS			
Current assets:			
Cash and cash equivalents	\$	62,564	\$ 62,564
Accounts receivable (net) - billed		9,665	9,665
Due from other funds		-	-
Inventories		2,400	2,400
Prepaid items		-	-
Restricted cash and cash equivalents		4,250	4,250
Total current assets		78,879	78,879
Capital assets:			
Land and other non-depreciable assets		106,999	106,999
Other capital assets, net of depreciation		972,998	972,998
Capital assets (net)		1,079,997	1,079,997
Total noncurrent assets		1,079,997	1,079,997
Total assets	\$	1,158,876	\$ 1,158,876
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$	-	\$ -
Liabilities payable from restricted assets:			
Accounts payable		-	-
Customer deposits		4,250	4,250
Total current liabilities		4,250	4,250
Total liabilities		4,250	4,250
NET POSITION			
Net investment in capital assets		1,079,997	1,079,997
Unrestricted		74,629	74,629
Total net position	\$	1,154,626	\$ 1,154,626

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

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

	Major Enterprise Fund	
	Water and Sewer Fund	Total
OPERATING REVENUES		
Charges for services	\$ 92,728	\$ 92,728
Water and sewer taps	370	370
Other operating revenues	33	33
Total operating revenues	<u>93,131</u>	<u>93,131</u>
OPERATING EXPENSES		
Water treatment and sewer operations	75,068	75,068
Depreciation	40,839	40,839
Total operating expenses	<u>115,907</u>	<u>115,907</u>
Operating income (loss)	<u>(22,776)</u>	<u>(22,776)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment earnings	-	-
Total nonoperating revenue (expenses)	<u>-</u>	<u>-</u>
Income (loss) before contributions and transfers	(22,776)	(22,776)
Capital contributions	30,000	30,000
Transfers to other funds	-	-
Transfers from other funds	-	-
Change in net position	7,224	7,224
Total net position, beginning	1,147,402	1,147,402
Total net position, ending	<u>\$ 1,154,626</u>	<u>\$ 1,154,626</u>

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

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

	Major Enterprise Fund	
	Water and Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 94,312	\$ 94,312
Cash paid for goods and services	(47,928)	(47,928)
Cash paid to or on behalf of employees for services	(27,141)	(27,141)
Customer deposits received / returned	400	400
Net cash provided (used) by operating activities	19,643	19,643
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	-	-
Transfers from other funds	-	-
Total cash flows from noncapital financing activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(2,799)	(2,799)
Capital contributions - State grant	-	-
Capital contributions - Federal grant	30,000	30,000
Net cash provided (used) by capital and related financing activities	27,201	27,201
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	-	-
Net increase (decrease) in cash and cash equivalents	46,844	46,844
Balances, beginning	19,970	19,970
Balances, ending	\$ 66,814	\$ 66,814
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ (22,776)	\$ (22,776)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	40,839	40,839
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	1,180	1,180
Increase (decrease) in accounts payable and accrued liabilities	-	-
Increase (decrease) in customer deposits	400	400
Total adjustments	42,419	42,419
Net cash provided by operating activities	\$ 19,643	\$ 19,643

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

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

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Crossnore 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 Crossnore is a municipal corporation that is governed by an elected mayor and a five-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government. 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 Town has no fiduciary funds to report. The emphasis of fund financial statements is on major

governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue 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 a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public

authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The town's investments are generally reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

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 also classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Elk Park Restricted Cash

Governmental Activities	
General Fund	
Streets	\$ 17,357
Total Governmental Activities	<u>\$ 17,357</u>
Business-type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 4,250
Total Business-type Activities	<u>\$ 4,250</u>
Total Restricted Cash	<u>\$ 21,607</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 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. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. Inventory and Prepaid Items

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when held for resale rather than when purchased.

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

7. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	20
Buildings	50
Improvements	15
Vehicles	5
Furniture and equipment	7
Computer Equipment	5

8. Deferred Outflows/Inflows of Resources

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

9. Net Position / Fund Balances

Net Position

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

Fund Balances

In the governmental fund financial statements, fund balance is composed of four 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.

Prepays – portion of fund balance that is not available for appropriation because it represents the year-end fund balance of prepaid expenses, which are not expendable, available resources.

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. 159-89(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by state statute." *Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget.* Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding encumbrances are included within RSS. RSS is included as a component of restricted net position and restricted fund balance on the face of the balance sheet.

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

Assigned fund balance – portion of fund balance that Town of Crossnore 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.

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 Crossnore has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: 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 Crossnore 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 50% of budgeted expenditures. Any portion of the general fund balance in excess of 50% 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.

II. Stewardship, Compliance and Accountability

Our audit for the fiscal year ended June 30, 2021 disclosed no Material Violations of Finance-Related Legal and Contractual Provisions.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$287,060 and a bank balance of \$291,999. The bank balance was covered by federal depository insurance.

2. Receivables – Allowances for Doubtful Accounts

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

Fund	6/30/2021
General Fund:	
Taxes receivable	\$ 4,801
Total	\$ 4,801

3. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	16,000	-	-	16,000
Capital assets being depreciated:				
Buildings	194,627	-	-	194,627
Other improvements	112,204	4,900	-	117,104
Equipment	15,304	-	-	15,304
Vehicles	-	-	-	-
Infrastructure	121,543	-	-	121,543
Total capital assets being depreciated	443,678	4,900	-	448,578
Less accumulated depreciation for:				
Buildings	119,473	5,067	-	124,540
Other improvements	98,265	5,778	-	104,043
Equipment	13,984	293	-	14,277
Vehicles	-	-	-	-
Infrastructure	71,159	5,567	-	76,726
Total accumulated depreciation	302,881	\$ 16,705	\$ -	319,586
Total capital assets being depreciated, net	140,797			128,992
Governmental activity capital assets, net	<u>\$ 156,797</u>			<u>\$ 144,992</u>

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

General government	\$ 11,138
Transportation	<u>5,567</u>
Total depreciation expense	<u>\$ 16,705</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Water and sewer fund:				
Capital assets not being depreciated:				
Land	\$ 81,700	\$ -	\$ -	\$ 81,700
Construction in progress	22,500	2,799	-	25,299
Total capital assets not being depreciated	104,200	2,799	-	106,999
Capital assets being depreciated:				
Wells, substations, lines, and related equipment	1,585,335	-	-	1,585,335
Equipment	67,869	-	-	67,869
Vehicles	7,000	-	-	7,000
Total capital assets being depreciated	1,660,204	-	-	1,660,204
Less accumulated depreciation for:				
Wells, substations, lines, and related equipment	590,004	35,575	-	625,579
Equipment	49,363	5,264	-	54,627
Vehicles	7,000	-	-	7,000
Total accumulated depreciation	646,367	\$ 40,839	\$ -	687,206
Total capital assets being depreciated, net	1,013,837			972,998
Business type activity capital assets, net	<u>\$ 1,118,037</u>			<u>\$ 1,079,997</u>

B. Liabilities

1. Deferred Outflows and Inflows of Resources

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

	Unavailable Revenue
Taxes receivable (General Fund), less penalties	<u>\$ 3,267</u>

2. 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 does not have a general liability policy. The Town does have fire insurance on the town property and auto liability insurance, comprehensive and property damage insurance on the town vehicle.

The Town participates in a self-funded financing pool administered by the North Carolina League of Municipalities for Worker's Compensation. The coverage is limited to \$100,000 each accident with a \$500,000 coverage limit.

The Town carries limited flood insurance through Harleysville Mutual Insurance Company. The flood insurance plan provides coverage to buildings and contents that are located in designed flood zones.

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 for \$10,000. The finance officer and tax collector are each individually bonded for \$50,000.

C. Interfund Balances and Activity

There were no transfers to/from other funds at June 30, 2021.

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 242,552
Less:	
Prepays	2,269
Stabilization by State Statute	20,088
Streets - Powell Bill	17,357
Appropriated Fund Balance in 2022 Budget	3,750
Working Capital / Fund Balance Policy	59,877
Remaining Fund Balance	139,211

The Town of Crossnore 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 50% of budgeted expenditures.

IV. Jointly Governed Organization

The Town, in conjunction with seven counties and eighteen municipalities, established the High Country Council of Governments (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 \$510 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. Significant Effects of Subsequent Events

Management has evaluated subsequent events through September 24, 2021 – the date the financial statements were available to be issued.

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	\$ 30,655	\$
Penalties and interest		932	
Releases and refunds		(6)	
Total	29,160	31,581	2,421
Unrestricted intergovernmental:			
Local option sales taxes		100,267	
Telecommunications sales tax		1,164	
Video programming tax		457	
Solid Waste tax		147	
Utility franchise tax		8,364	
Total	77,700	110,399	32,699
Restricted intergovernmental:			
Grant income		2,566	
Powell Bill allocation		6,971	
Total	7,200	9,537	2,337
Sales and services:			
Garbage collection	720	27	(693)
Investment earnings	24	100	76
Miscellaneous:			
Meeting house fees		775	
Other		987	
Total	1,200	1,762	562
Total revenues	116,004	153,406	37,402
Expenditures:			
General government:			
Salaries and employee benefits		35,028	
Professional services		10,050	
Printing and supplies		5,679	
Utilities		7,223	
Telephone and postage		2,419	
Travel		900	
Dues		1,825	
Maintenance and grounds		9,570	
Insurance		15,812	
Capital outlay		4,900	
Miscellaneous		6,545	
Total	102,254	99,951	2,303

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

	Budget	Actual	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Salaries and employee benefits		1,726	
Street repairs and maintenance		5,550	
Other repairs and maintenance		7,813	
Vehicle expense		1,938	
Capital outlay		-	
Miscellaneous		-	
Total	<u>17,500</u>	<u>17,027</u>	<u>473</u>
Total expenditures	<u>119,754</u>	<u>116,978</u>	<u>2,776</u>
Revenues over (under) expenditures	<u>(3,750)</u>	<u>36,428</u>	<u>40,178</u>
Other financing sources (uses):			
Transfer (to) from other fund:			
Enterprise fund - capital projects	-	-	-
Enterprise fund	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	3,750	-	(3,750)
Net change in fund balance	<u>\$ -</u>	<u>36,428</u>	<u>\$ 36,428</u>
Fund balances, beginning as previously reported		<u>206,124</u>	
Fund balances, ending		<u>\$ 242,552</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water and sewer sales	\$	\$ 92,728	\$
Water and sewer taps		370	
Other operating revenues		33	
Total operating revenues	<u>93,724</u>	<u>93,131</u>	<u>(593)</u>
Nonoperating revenues:			
USDA Grant	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total revenues	<u>123,724</u>	<u>123,131</u>	<u>(593)</u>
Expenditures:			
Water treatment and sewer operations			
Salaries and employee benefits		27,141	
Truck expense		485	
Well Rent		500	
Supplies		3,519	
Maintenance		17,275	
Utility service fees		20,495	
Contract services		3,600	
Miscellaneous		863	
Permits and fees		1,190	
Professional services		-	
Total water treatment and sewer operations	<u>120,724</u>	<u>75,068</u>	<u>45,656</u>
Capital outlay:			
Water and sewer improvements	<u>3,000</u>	<u>2,799</u>	<u>201</u>
Total capital outlay	<u>3,000</u>	<u>2,799</u>	<u>201</u>
Total expenditures	<u>123,724</u>	<u>77,867</u>	<u>45,857</u>
Other financing sources (uses):			
Transfer from other fund:			
General Fund	-	-	-
Appropriated Fund Balance	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>45,264</u>	<u>\$ 45,264</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and other sources over expenditures and other uses		45,264	
Reconciling items:			
Capital outlay		2,799	
Depreciation		(40,839)	
Capital contributions		-	
Transfer out to General Fund from Water and Sewer Capital Projects Fund		-	
Total reconciling items		<u>(38,040)</u>	
Net income		<u><u>\$ 7,224</u></u>	

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	\$ 26,734	\$ 23,758	\$ 2,976
Vehicle taxes	-	4,694	4,694	-
2019-2020	2,178	-	536	1,642
Vehicle taxes	-	-	-	-
2018-2019	1,031	-	497	534
Vehicle taxes	-	-	-	-
2017-2018	848	-	369	479
Vehicle taxes	-	-	-	-
2016-2017	552	-	73	479
Vehicle taxes	-	-	-	-
2015-2016	369	-	72	297
Vehicle taxes	-	-	-	-
2014-2015	804	-	330	474
Vehicle taxes	-	-	-	-
2013-2014	671	-	326	345
Vehicle taxes	141	-	-	141
2012-2013	133	-	-	133
Vehicle taxes	284	-	-	284
2011-2012	-	-	-	-
Vehicle taxes	284	-	-	284
	<u>\$ 7,295</u>	<u>\$ 31,428</u>	<u>\$ 30,655</u>	<u>8,068</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>4,801</u>
Ad valorem taxes receivable - net				<u>\$ 3,267</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				\$ 31,581
Reconciling items:				
Interest collected				(933)
Releases and refunds				6
Taxes written off per statute				1
Total collections and credits				<u>\$ 30,655</u>

Town of Crossnore, 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 year's rate	\$ 10,141,102	0.30	\$ 30,424	\$ 25,730	\$ 4,694
Penalties	-		-	-	-
Total	<u>10,141,102</u>		<u>30,424</u>	<u>25,730</u>	<u>4,694</u>
Discoveries:					
Current year taxes	334,780	0.30	1,004	1,004	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>334,780</u>		<u>1,004</u>	<u>1,004</u>	<u>-</u>
Abatements	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Total property valuation	<u>\$ 10,475,882</u>				
Net levy			31,428	26,734	4,694
Uncollected taxes at June 30, 2020			<u>(2,976)</u>	<u>(2,976)</u>	<u>-</u>
Current year's taxes collected			<u>28,452</u>	<u>23,758</u>	<u>4,694</u>
Current levy collection percentage			<u>90.53%</u>	<u>88.87%</u>	<u>100.00%</u>