

**Town of Dortches**  
**Dortches, North Carolina**  
**Financial Statements**  
**For The Year Ended June 30, 2021**

Town of Dortches, North Carolina

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June 30, 2021

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**BOARD OF COMMISSIONERS**

Bob Brown

George Griffin

Bruce Smith

Boyce Varnell

**MAYOR**

Jackie Vick

**TOWN ADMINISTRATOR**

Nancy Nixon

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## Independent Auditor's Report

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial statement presentation of the financial statements.

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

## Opinion

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 and the major fund of the Town of Dortches, North Carolina as of June 30, 2021, and the respective changes in financial position 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 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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

*Flowers & Stanley, LLP*

Tarboro, North Carolina

November 24, 2021

**Town of Dortches, North Carolina  
Management's Discussion and Analysis**

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

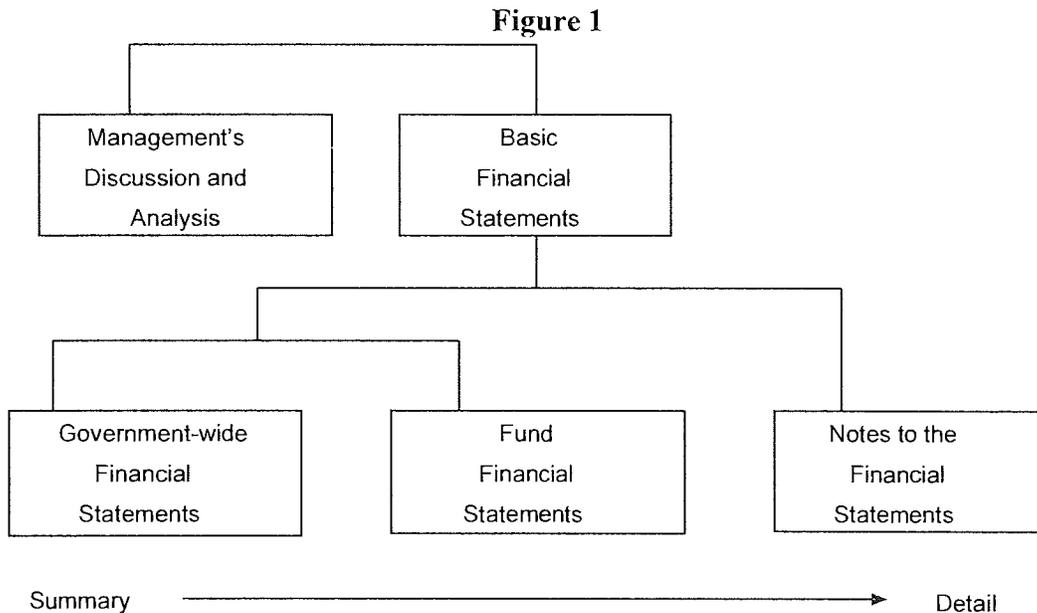
**Financial Highlights**

- The assets and deferred outflows of resources of the Town of Dortches exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,494,924(net position).
- The government's total net position increased by \$174,802.
- As of the close of the current fiscal year, the Town of Dortches' governmental funds reported an ending fund balance of \$3,365,024, an increase of \$148,741 in fund balance. Approximately 1.7% of this total amount, or \$56,725 is non-spendable or restricted.
- At the end of the current fiscal year the unassigned fund balance for the general fund was \$3,038,299.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to Town of Dortches' 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 Dortches.

**Required Components of Annual Financial Report**



# Town of Dortches, North Carolina Management's Discussion and Analysis

## 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 5) 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 two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison 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 deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements report governmental activities. The governmental activities include most of the Town's basic services such as public safety and general administration. Unrestricted intergovernmental revenues finance most of these activities.

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 Dortches, 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 Requirements of the Town's budget ordinance.

**Town of Dortches, North Carolina  
Management's Discussion and Analysis**

**Governmental Funds**

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. All 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 Dortches 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 budgetary basis of accounting 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.

**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 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 any U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Town of Dortches, North Carolina  
 Management's Discussion and Analysis

Government-Wide Financial Analysis

The Town of Dortches' Net Position  
 Figure 2

	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,367,111	\$ 3,218,263
Capital assets	129,900	103,839
Deferred outflows of resources	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,497,011</u>	<u>\$ 3,322,102</u>
Long-term liabilities	\$ -	\$ -
Other liabilities	2,087	1,980
Deferred inflows of resources	-	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ 2,087</u>	<u>\$ 1,980</u>
Net Position:		
Net investment in capital assets	\$ 129,900	\$ 103,839
Restricted	56,725	39,256
Unrestricted	3,308,299	3,177,027
Total Net Position	<u>\$ 3,494,924</u>	<u>\$ 3,320,122</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 the Town of Dortches exceeded liabilities and deferred inflows by \$3,494,924 at June 30, 2021. The Town's net position increased by \$174,802 for the fiscal year ended June 30, 2021. A portion of net assets, 3.7% reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Dortches uses the capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dortches' net investment in capital assets is reported net of any related debt, the resources needed to repay any such debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. There was no related debt on capital assets. An additional portion of the Town of Dortches' net position \$56,725 represents resources that are subject to external restrictions on how they may be used. The remaining balance \$3,308,299 (94.7%) is unrestricted.

Town of Dortches, North Carolina  
 Management's Discussion and Analysis

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

	Governmental Activities	
	2021	2020
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ -	\$ -
Operating Grants & Contributions	-	-
Capital Grants & Contributions	33,158	-
Grants & Contributions		
Not restricted to specific programs	303,633	266,260
Investment earnings	52,144	53,741
Other	3,920	287
Total Revenues	<u>\$ 392,855</u>	<u>\$ 320,288</u>
<b>Expenses:</b>		
General Government	\$ 121,553	\$ 162,620
Public Safety	66,500	71,150
Economic and Physical Development	30,000	-
Total Expenses	<u>\$ 218,053</u>	<u>\$ 233,770</u>
Increase (Decrease) in		
Net Position before transfers	\$ 174,802	\$ 86,518
Transfers	-	-
(Decrease) Increase		
In Net Position	174,802	86,518
Net Position:		
July 1	3,320,122	3,233,604
June 30	<u>\$ 3,494,924</u>	<u>\$ 3,320,122</u>

**Governmental Activities:** Governmental activities increased the Town's net position by \$174,802.

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

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

**Town of Dortches, North Carolina  
Management's Discussion and Analysis**

**Governmental Funds**

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

The general fund is the chief operating fund of the Town of Dortches. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,038,299. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 1245% of total General Fund expenditures.

**General Fund Budgetary Highlights**

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

**Capital Asset and Debt Administration**

**Capital Assets**

The Town of Dortches' investment in capital assets for its governmental type activities as of June 30, 2021, totals \$129,900 (net of accumulated depreciation). These assets include buildings & improvements, land, machinery and equipment.

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

	Governmental Activities	
	2021	2020
Land	\$ 15,138	\$ 15,138
Buildings & improvements	114,762	88,701
Furniture & equipment	-	-
<b>Total</b>	<b>\$ 129,900</b>	<b>\$ 103,839</b>

Additional information on the Town's capital assets can be found in the notes to the basic financial statements.

**Town of Dortches, North Carolina  
Management's Discussion and Analysis**

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities**

A building renovation for Town Hall is budgeted for FY2022 at \$250,000 and will be completed before the end of the fiscal year. This will be paid from existing Town funds, not financed, and not using grants.

Federal American Rescue Plan Act (ARP) funds are budgeted in FY2022 as special grant funds that must be spent by December 31, 2024. These funds are for specific activities that are still being determined. Actual receipts are anticipated at approximately \$235,000 over two fiscal years.

Interest income will reduce significantly as the Town's CD investments mature in FY2022 and interest rates will be lower.

**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 Dortches, Town Administrator, 3057 Town Hall Road, Rocky Mount, NC 27804, or by telephone at (252) 443-9131.

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

**Exhibit 1**

**Assets**

Current Assets:

Cash and cash equivalents	\$ 3,310,386
Receivables, Net:	
Sales Tax	3,090
Other	3,080
Due from other governments	<u>50,555</u>
Total Current Assets	<u>\$ 3,367,111</u>

Non-current Assets:

Capital Assets:

Land, nondepreciable improvements	\$ 15,138
Other capital assets, net of depreciation	<u>114,762</u>
Total Capital Assets	<u>\$ 129,900</u>

Total Assets	<u>\$ 3,497,011</u>
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<b>Deferred Outflows of Resources</b>	<u>\$ -</u>
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**Liabilities**

Current Liabilities:

Accounts payable and accrued liabilities	\$ 2,087
Total Liabilities	<u>\$ 2,087</u>

<b>Deferred Inflows of Resources</b>	<u>\$ -</u>
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**Net Position**

Net investment in capital assets	\$ 129,900
Restricted:	
Stabilization by State Statute	56,725
Unrestricted	<u>3,308,299</u>
Total Net Position	<u><u>\$ 3,494,924</u></u>

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

**Town of Dortches, North Carolina**  
**Statement of Activities**  
**Year Ended June 30, 2021**

**Exhibit 2**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental Activities:					
General Government	\$ 121,553	\$ -	\$ -	\$ 33,158	\$ (88,395)
Public Safety	66,500	-	-	-	(66,500)
Economic & Physical Development	30,000	-	-	-	(30,000)
 Total Governmental Activities	 <u>\$ 218,053</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 33,158</u>	 <u>(184,895)</u>
General Revenues:					
Grants and contributions not restricted to specific programs					\$ 303,633
Unrestricted investment earnings					52,144
Miscellaneous					3,920
Total General Revenues					<u>\$ 359,697</u>
Change in Net Position					\$ 174,802
Net Position, beginning					3,320,122
Net Position, ending					<u>\$ 3,494,924</u>

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

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

**Exhibit 3**

	<b>Major Funds</b>
	<b>General</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,310,386
Receivables, net:	
Sales Tax	3,090
Other	3,080
Due from other governments	50,555
Total Assets	\$ 3,367,111
<b>Deferred Outflows of Resources</b>	\$ -
<b>Liabilities</b>	
Liabilities:	
Accounts payable and accrued liabilities	\$ 2,087
Total Liabilities	\$ 2,087
<b>Deferred Inflows of Resources</b>	\$ -
<b>Fund Balances</b>	
Restricted:	
Stabilization by State Statute	\$ 56,725
Committed:	
Economic & Physical Development	270,000
Unassigned	3,038,299
Total Fund Balances	\$ 3,365,024
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,367,111
<b>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position:</b>	
Amounts Reported for Governmental Activities in the Statement of Net Position (Exhibit 1) are different because:	
Total Fund Balance, Governmental Funds	\$ 3,365,024
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	129,900
Net Position of Governmental Activities	\$ 3,494,924

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

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

		<b>Exhibit 4</b>
		<b>General Fund</b>
		<u>                    </u>
<b>Revenues:</b>		
Unrestricted intergovernmental	\$	303,633
Restricted intergovernmental		33,158
Investment earnings		52,144
Miscellaneous		3,920
Total Revenues	\$	<u>392,855</u>
<b>Expenditures</b>		
General Government	\$	147,614
Public Safety		66,500
Economic & Physical Development		30,000
Total Expenditures	\$	<u>244,114</u>
Revenues Over (Under) Expenditures	\$	148,741
Other Financing Sources (Uses)		<u>-</u>
Net Change in Fund Balance	\$	148,741
<b>Fund Balance</b>		
Beginning of Year		3,216,283
End of Year	\$	<u><u>3,365,024</u></u>

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities:**

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

Net changes in fund balance - total governmental funds	\$	148,741
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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 depreciation exceeded capital outlay in the current period.

Capital outlay expenditures which were capitalized	\$	35,495	
Depreciation expense for governmental assets		(7,774)	
Gain/(Loss) on disposal of capital assets		<u>(1,660)</u>	26,061

Total Change in Net Position of Governmental Activities	\$	<u><u>174,802</u></u>
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The notes to the financial statements are an integral part of this statement.

**Town of Dortches, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance - Annual Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

**Exhibit 5**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>				
Unrestricted intergovernmental	\$ 227,000	\$ 227,000	\$ 303,633	\$ 76,633
Restricted intergovernmental	-	33,158	33,158	-
Investment earnings	53,000	53,000	52,144	(856)
Miscellaneous	200	200	3,920	3,720
	<u>\$ 280,200</u>	<u>\$ 313,358</u>	<u>\$ 392,855</u>	<u>\$ 79,497</u>
<b>Expenditures:</b>				
General Government	\$ 169,200	\$ 202,358	\$ 147,614	\$ 54,744
Public Safety	76,000	76,000	66,500	9,500
Economic & Physical Development	35,000	35,000	30,000	5,000
	<u>\$ 280,200</u>	<u>\$ 313,358</u>	<u>\$ 244,114</u>	<u>\$ 69,244</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,741</u>	<u>\$ 148,741</u>
Other Financing Sources (Uses):			\$ -	
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148,741</u>	<u>\$ 148,741</u>
<b>Fund Balance:</b>				
Beginning of year			3,216,283	
End of year			<u>\$ 3,365,024</u>	

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

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

**1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Dortches 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 Dortches is a municipal corporation, which is governed by an elected mayor and a four-member council. The Town is not a component unit of a separate government and has no component units that should be included in these financial statements.

**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. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues 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 specific 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 general fund. The emphasis of fund financial statements is on major governmental funds. Any remaining governmental funds would be aggregated and reported as nonmajor funds.

The Town reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are unrestricted intergovernmental revenues and investment revenues. The primary expenditures are for public safety and general administrative expenses.

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

**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 Fund Financial Statements**

The government-wide fund financial statements are reported using the economic resources measurement focus. The government-wide 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 grants and donations. On an accrual basis, 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 state shared taxes.

**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 any principal and interest on general long-term debt, claims and judgments, or compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Any issuance of general long-term debt and acquisitions under capital leases are reportable as other financing sources.

The Town considers all revenues available if they are collected within 60 days after year-end.

Sales taxes and certain intergovernmental revenues, such as the 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 shared revenue for the Town of Dortches because the tax is levied by Nash 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 Dortches, 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 North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at 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 the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$2,500. The governing board must approve all amendments.

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 an annual ordinance can be adopted.

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

**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 has no such investments at June 30, 2021.

**Cash and Cash Equivalents**

The Town pools money to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The Town considers any highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash and cash equivalents.

**Restricted Assets**

There were no assets subject to restrictions at June 30, 2021.

**Ad Valorem Taxes Receivable**

The Town levies no ad valorem taxes on property held by citizens.

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

**Allowances for Doubtful Accounts**

Based on collection history no allowance for bad debts are presented in the financial statements. The dollar amount for bad debts, if any, would be immaterial to the financial statements.

**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 cost policies are as follows: buildings and improvements, \$5,000; furniture and equipment, \$1,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015, are recorded at their estimated fair value at the time of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Improvements	15
Furniture and equipment	10
Computer Equipment	3

**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 had no items that meet this criterion. 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 had no items that meet the criterion for this category.

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

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

The Town has no long-term debt at June 30, 2021.

**Compensated Absences/Employee Benefits**

The Town has no full-time employees and offers no employee benefits, postemployment benefits, or vacation or sick leave.

**Net Position/Fund Balances**

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Restricted for Stabilization by State statute - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS) is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities,

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

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 non-spendable. 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.

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

Committed for Economic & Physical Development – The Town Board has agreed to assist in the funding of the Northern Nash County Water Systems Improvement Project. The commitment is for 10 years with a maximum contribution of \$30,000 per year. These funds can be decommitted at the Board’s discretion.

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

The Town has established no formal spending policy for programs with multiple revenue resources. Management’s policy is to expend fund balance with restricted classification first and unassigned fund balance lastly if such is in the best interest of the Town.

The Town has not adopted a minimum fund balance policy for the General Fund but monitors the percentage of fund balance to budgeted expenditures closely.

## **2. Stewardship, Compliance, and Accountability**

### **Significant Violations of Finance-Related Legal and Contractual Provisions**

1. Noncompliance with North Carolina General Statutes.

There were no violations with North Carolina General Statutes for the year ended June 30, 2021.

2. Contractual Violations

There were no contractual violations for the year ended June 30, 2021.

### **Deficit in Fund Balance of Individual Funds not appropriated in subsequent year’s budget ordinance**

There were no deficits for the year ended June 30, 2021.

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

**Excess of Expenditures over Appropriations**

There were no excess expenditures for the year ended June 30, 2021.

**3. Detail Notes on All Funds**

**A. Assets**

**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 Town's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agent in their name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. 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 \$3,310,386 and a bank balance of \$3,312,316. Of the bank balance, \$571,461 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

**Receivables – Allowances for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position is net of allowances for doubtful accounts. Based on history, nature, and materiality, no allowances were deemed necessary for the year ended June 30, 2021.

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

**Capital Assets**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 15,138	\$ -	\$ -	\$ 15,138
Total	<u>\$ 15,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,138</u>
 Capital Assets Being Depreciated:				
Buildings & improvements	\$ 211,050	\$ 35,495	\$ 8,791	\$ 237,754
Equipment	28,707	-	-	28,707
Total	<u>\$ 239,757</u>	<u>\$ 35,495</u>	<u>\$ 8,791</u>	<u>\$ 266,461</u>
 Less Accumulated Depreciation for:				
Buildings & improvements	\$ 122,349	\$ 7,774	\$ 7,131	\$ 122,992
Equipment	28,707	-	-	28,707
Total	<u>\$ 151,056</u>	<u>\$ 7,774</u>	<u>\$ 7,131</u>	<u>\$ 151,699</u>
 Total Capital Assets Being Depreciated, Net	<u>\$ 88,701</u>			<u>\$ 114,762</u>
 Governmental Activities Capital Assets, Net	<u>\$ 103,839</u>			<u>\$ 129,900</u>

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

General Government           \$7,774

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

**B. Liabilities**

**Pension Plan and Postemployment Obligations**

The Town has no full-time employees and offers no pension or postemployment benefits.

**Risk Management**

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

The Town carries commercial coverage for risks of loss. Commercial insurance coverage includes general total liability \$1 million (maximum), personal injury \$1 million per occurrence, existing property \$749,298 (90% coinsurance), advertising injury \$1 million, and hired auto \$1 million each accident. Other coverage is also provided in the policy. Settled claims have not exceeded this commercial coverage in the past years. 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 is a participant in the National Flood Insurance Program (NFIP). Because the Town is in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase commercial flood insurance. This availability follows the community’s adoption and enforcement of ordinances to reduce flood losses and acceptance by the NFIP. However, at June 30, 2021, the Town has not purchased any flood insurance coverage. Town residents are also eligible to purchase flood insurance coverage under the program.

In accordance with G.S. 15-29, 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 Finance Officer and Town Administrator are bonded for up to \$50,000.

**C. 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	\$ 3,365,024
Less:	
Stabilization by State Statute	56,725
Committed – Economic & Physical Development	<u>270,000</u>
Remaining Fund Balance	<u>\$ 3,038,299</u>

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

**4. Commitments**

The Town of Dortches has agreed to pay Nash County Public Utilities \$30,000 a year beginning in the year ending June 30, 2021 for up to ten (10) years to help with the operations, maintenance and installation of the Northern Nash Water System which will expand and service all of the Town of Dortches.

**5. Summary Disclosure of Significant Contingencies**

Federal and/or State Assisted Programs

The Town has received proceeds from federal and/or 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.

**6. Significant Effects of Subsequent Events**

There were no significant subsequent events through the date this report is available to be issued which is the date of the independent auditor's report.

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

Exhibit A-1

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Unrestricted Intergovernmental:			
Local option sales tax	\$ 200,000	\$ 276,118	\$ 76,118
Beer and wine tax	4,000	4,243	243
Franchise tax	23,000	23,272	272
Total Unrestricted Intergovernmental	\$ 227,000	\$ 303,633	\$ 76,633
Restricted Intergovernmental:			
Coronavirus Relief Fund	\$ 33,158	\$ 33,158	\$ -
Investment earnings	\$ 53,000	\$ 52,144	\$ (856)
Miscellaneous	\$ 200	\$ 3,920	\$ 3,720
Total Revenues	\$ 313,358	\$ 392,855	\$ 79,497
<b>Expenditures:</b>			
General Government:			
Governing Body:			
Salaries		\$ 9,000	
Operating expenses		2,597	
Donation - Red Oak Park Project		5,775	
Total Governing Body		\$ 17,372	
Administration:			
Salaries and employee benefits		\$ 35,083	
Operating expenses		59,664	
Capital outlay		35,495	
Total Administration		\$ 130,242	
Total General Government	\$ 202,358	\$ 147,614	\$ 54,744

(continued)

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

Exhibit A-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures: (continued)</b>			
Public Safety:			
Fire and Rescue:			
Donation to fire and rescue departments	\$ 76,000	\$ 66,500	\$ 9,500
Economic & Physical Development:			
Planning and Physical Development:			
Payment to Nash County		\$ 30,000	
Total Economic Development	\$ 35,000	\$ 30,000	\$ 5,000
Total Expenditures	\$ 313,358	\$ 244,114	\$ 69,244
Revenues Over (Under) Expenditures	\$ -	\$ 148,741	\$ 148,741
Other Financing Sources (Uses):	\$ -	\$ -	\$ -
Fund balance appropriated	\$ -	\$ -	\$ -
Net change in fund balance	<u>\$ -</u>	\$ 148,741	<u>\$ 148,741</u>
<b>Fund Balance:</b>			
Beginning of year		3,216,283	
End of year		<u>\$ 3,365,024</u>	