

REVIEWED

By SLGFD at 11:30 am, Oct 27, 2022



Town of Dover

FINANCIAL REPORT

June 30, 2021

REPORT

Independent Auditors' Report	1
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Management's Discussion and Analysis	4
--------------------------------------	---

FINANCIAL STATEMENTS

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1 – Statement of Net Position	13
---------------------------------------	----

Exhibit 2 – Statement of Activities	14
-------------------------------------	----

Fund Financial Statements

Exhibit 3 – Balance Sheet – Governmental Fund	15
---	----

Exhibit 3 – Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	16
---	----

Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund	17
--	----

Exhibit 4 – Reconciliation of the Statement of Revenues, Expenditures, and Changes on Fund Balances of Governmental Fund to the Statement of Activities	18
---	----

Exhibit 5 – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	19
---	----

Exhibit 6 – Statement of Net Position – Proprietary Fund	20
--	----

Exhibit 7 – Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	21
--	----

Exhibit 8 – Statement of Cash Flows – Proprietary Fund	22
--	----

Notes to Financial Statements	23
-------------------------------	----

Individual Fund Statements

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	42
--	----

Schedule of Revenues and Expenditures Budget and Actual – (Non-GAAP) – Water and Sewer Fund	44
--	----

2018 CDBG Neighborhood Revitalization – Schedule of Revenues and Expenditures – Budget to Actual (Non-GAAP)	46
Other Schedules	
Schedule of Ad Valorem Taxes Receivable	47
Analysis of Current Tax Levy – Town-Wide Levy	48
Compliance	
Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	49
Schedule of Findings and Responses	51
REQUIRED COMMUNICATIONS	
Required Communications	56
Accounting Policies, Judgements and Sensitive Estimates & CRI Comments on Quality	63
Summary of Audit Adjustments	64
Management Representation Letter	71



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Alderman
Town of Dover, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2022 on our consideration of Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

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

CARR, RIGGS & INGRAM, P.L.L.C.
New Bern, North Carolina
October 20, 2022

Town of Dover

Management Discussion and Analysis

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

Financial Highlights

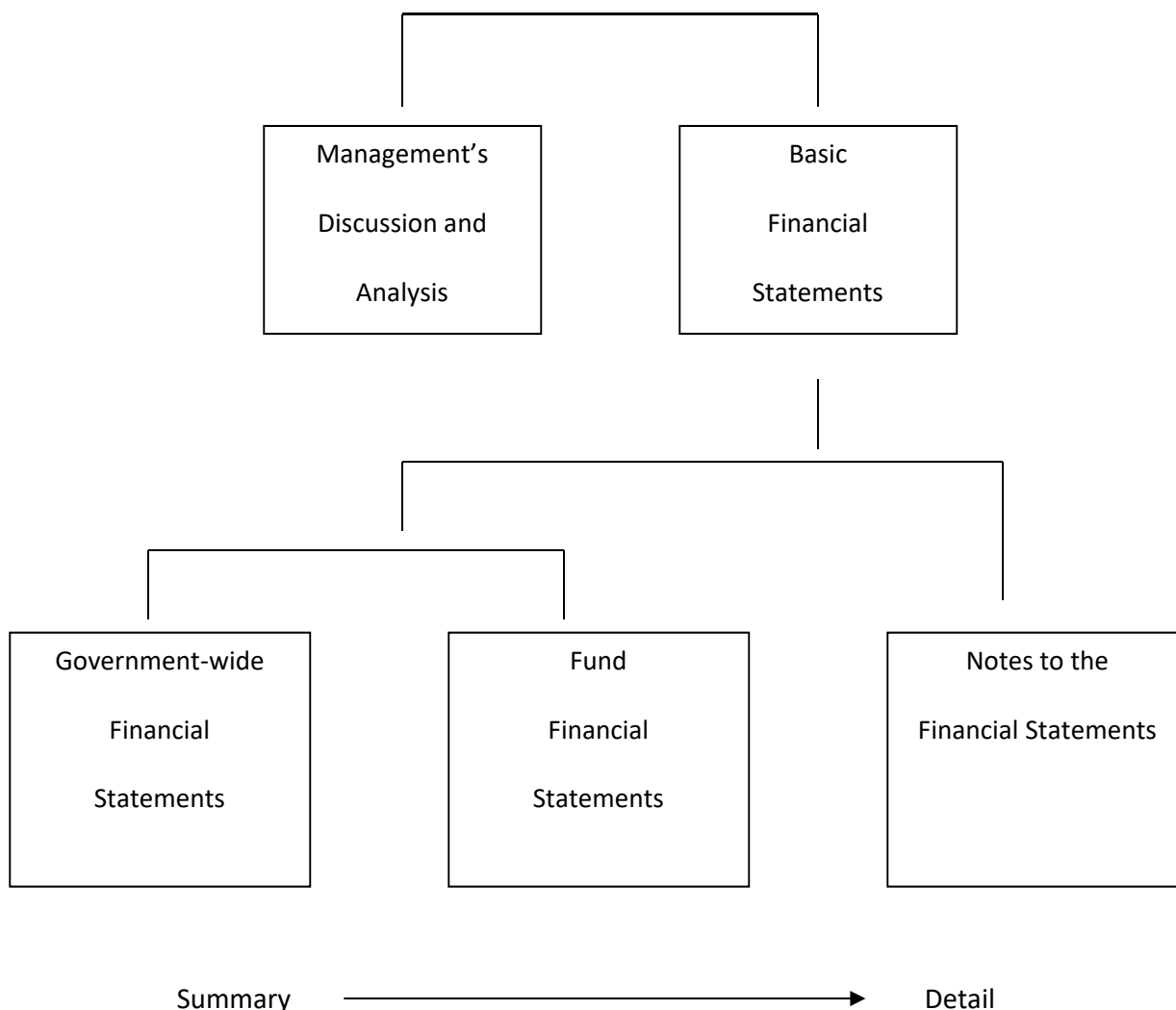
- The assets of the Town exceeded its liabilities at the close of the fiscal year by \$8,634,454 (net position).
- The government’s total net position decreased by \$240,461, primarily due to decreases in business-type activities.
- As of the close of the current fiscal year, the Town’s governmental funds reported an ending fund balance of \$362,652, an increase of \$12,103 in comparison with the prior year. Approximately 44.36% percent of this total amount, or \$160,856, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$201,796 or 124.93% percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Town of Dover Management Discussion and Analysis

Required Components of Annual Financial Report



Basic Financial Statements

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

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

Town of Dover Management Discussion and Analysis

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds and tax related information. Budgetary information required by the General Statutes can also be found in this part of the statements.

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

Town of Dover

Management Discussion and Analysis

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

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

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

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

Other Information – In addition to basic financial statements and accompanying notes, this report includes certain supplementary information concerning the Town's individual funds and tax related information. Other supplementary information can be found beginning on page 42 of this report.

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

Town of Dover Management Discussion and Analysis

Town of Dover's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 371,230	\$ 336,294	\$ (63,270)	\$ (6,353)	\$ 307,960	\$ 329,941
Restricted assets	52,115	46,171	19,661	57,875	71,776	104,046
Capital assets	335,548	340,982	8,214,818	8,467,815	8,550,366	8,808,797
Total assets	758,893	723,447	8,171,209	8,519,337	8,930,102	9,242,784
Current liabilities	50,361	22,776	40,263	140,069	90,624	162,845
Long-term liabilities	-	-	205,024	205,024	205,024	205,024
Total liabilities	50,361	22,776	245,287	345,093	295,648	367,869
Net investment in capital assets	335,548	340,982	8,009,794	8,240,011	8,345,342	8,580,993
Restricted net position	160,856	138,290	-	-	160,856	138,290
Unrestricted net position (deficit)	212,128	221,399	(83,872)	(65,767)	128,256	155,632
Total net position	\$ 708,532	\$ 700,671	\$ 7,925,922	\$ 8,174,244	\$ 8,634,454	\$ 8,874,915

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities by \$8,634,454 as of June 30, 2021. The Town's net position decreased by \$240,461 for the fiscal year ended June 30, 2021. However, the largest portion (96.65%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$160,856 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$128,256 is unrestricted.

Town of Dover Management Discussion and Analysis

Town of Dover's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 38,317	\$ 35,539	\$ 226,952	\$ 170,692	\$ 265,269	\$ 206,231
Operating grants	17,564	12,170	-	-	17,564	12,170
Capital grants	-	-	-	323,888	-	323,888
General revenues:						
Property taxes	64,275	62,839	-	-	64,275	62,839
Other taxes	54,669	48,236	-	-	54,669	48,236
Investment earnings	-	-	-	11	-	11
Other revenues	-	59	-	-	-	59
Total revenues	174,825	158,843	226,952	494,591	401,777	653,434
Expenses:						
General government	74,223	59,995	-	-	74,223	59,995
Transportation	51,208	45,777	-	-	51,208	45,777
Environmental protection	27,645	28,382	-	-	27,645	28,382
Cultural and recreation	13,888	13,264	-	-	13,888	13,264
Water and sewer	-	-	475,274	449,005	475,274	449,005
Total expenses	166,964	147,418	475,274	449,005	642,238	596,423
Increase in net position	7,861	11,425	(248,322)	45,586	(240,461)	57,011
Net position, beginning	700,671	689,246	8,174,244	8,128,658	8,874,915	8,817,904
Net position, ending	\$ 708,532	\$ 700,671	\$ 7,925,922	\$ 8,174,244	\$ 8,634,454	\$ 8,874,915

Governmental Activities: Governmental activities increased the Town's net position by \$7,861. The increase in net position was the result of increased property tax and other tax revenues.

Business-type Activities: Business-type activities decreased the Town's net position by \$248,322. The decrease in net position was the result of decreases in grant revenue and increased expenses.

Financial Analysis of the Town's Funds

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

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

Town of Dover

Management Discussion and Analysis

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$201,796, while total fund balance reached \$362,652. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 124.93% of total General Fund expenditures, and total fund balance represents 224.51% of the same amount.

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

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to a deficit of \$83,872. The total decrease in net position was \$248,322, primarily due to lower grant revenue and increased expenditures.

Capital Assets. As of June 30, 2021, the Town's investment in capital assets for its governmental and business-type activities totals \$8,550,366. These assets included buildings, improvements, land, equipment, and plant and distribution systems.

Town of Dover's Capital Assets (net of depreciation)							
	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Land	\$ 39,026	\$ 39,026	\$ 163,450	\$ 163,450	\$ 202,476	\$ 202,476	
Construction in progress	-	-	-	776,816	-	776,816	
Buildings	58,593	59,797	-	-	58,593	59,797	
Plants and systems	-	-	8,044,947	7,520,043	8,044,947	7,520,043	
Furniture and fixtures	-	-	6,421	7,506	6,421	7,506	
Other improvements	9,793	10,807	-	-	9,793	10,807	
Machinery and equipment	224,920	227,853	-	-	224,920	227,853	
Vehicles and motorized equipment	3,216	3,499	-	-	3,216	3,499	
Total assets	\$ 335,548	\$ 340,982	\$ 8,214,818	\$ 8,467,815	\$ 8,550,366	\$ 8,808,797	

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

Long-term Debt. As of June 30, 2021, the Town had total debt outstanding of \$205,024. All of the Town's debt is backed by the full faith and credit of the Town.

Town of Dover Management Discussion and Analysis

Town of Dover's Outstanding Debt							
	Governmental Activities		Business-type Activities		Total		
	2021	2020	2021	2020	2021	2020	
Installment purchase obligation	\$ -	\$ -	\$ 205,024	\$ 227,804	\$ 205,024	\$ 227,804	

The Town's total debt decreased by \$22,780 during the past fiscal year, due to principal payments made on outstanding debt.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for Town of Dover is \$1,446,527.

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

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

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Town's ad valorem rate will be lowered for the fiscal year ending June 30, 2022 to \$0.29 per \$100 valuation of property.

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

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

Town of Dover Management Discussion and Analysis

Requests for Information

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

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 232,135	\$ 21,623	\$ 253,758
Taxes receivable	8,839	-	8,839
Accounts receivable (net)	7,018	25,850	32,868
Accrued interest receivable on taxes	1,493	-	1,493
Due from other governments	10,499	503	11,002
Internal balances	111,246	(111,246)	-
Restricted cash and cash equivalents	52,115	19,661	71,776
Total current assets	423,345	(43,609)	379,736
Noncurrent assets:			
Capital assets:			
Land	39,026	163,450	202,476
Capital assets, net of depreciation	296,522	8,051,368	8,347,890
Total capital assets	335,548	8,214,818	8,550,366
Total assets	758,893	8,171,209	8,930,102
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	43,481	20,698	64,179
Customer deposits	6,880	19,565	26,445
Current portion of long-term liabilities	-	22,780	22,780
Total current liabilities	50,361	63,043	113,404
Long-term liabilities:			
Due in more than one year	-	182,244	182,244
Total liabilities	50,361	245,287	295,648
NET POSITION			
Net investment in capital assets	335,548	8,009,794	8,345,342
Restricted for:			
Stabilization by State Statute	128,763	-	128,763
Streets - Powell Bill	32,093	-	32,093
Unrestricted (deficit)	212,128	(83,872)	128,256
Total net position	\$ 708,532	\$ 7,925,922	\$ 8,634,454

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

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

					Net (Expense) Revenue and Changes in Net Position			
Functions/ Programs	Expenses	Program Revenues			Primary Government			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activiites	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 74,223	\$ 100	\$ 6,231	\$ -	\$ (67,892)	\$ -	\$ (67,892)	
Transportation	51,208	-	11,333	-	(39,875)	-	(39,875)	
Environmental protection	27,645	38,217	-	-	10,572	-	10,572	
Cultural and recreation	13,888	-	-	-	(13,888)	-	(13,888)	
Total governmental activities	166,964	38,317	17,564	-	(111,083)	-	(111,083)	
Business-type activities:								
Water and Sewer	475,274	226,952	-	-	-	(248,322)	(248,322)	
Total primary government	\$ 642,238	\$ 265,269	\$ 17,564	\$ -	(111,083)	(248,322)	(359,405)	

General revenues:

Taxes:			
Property taxes, levied for general purposes	64,275	-	64,275
Other taxes	54,669	-	54,669
Total general revenues	118,944	-	118,944
Change in net position	7,861	(248,322)	(240,461)
Net position, beginning	700,671	8,174,244	8,874,915
Net position, ending	\$ 708,532	\$ 7,925,922	\$ 8,634,454

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

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

	<u>Major Fund</u>
	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 232,135
Restricted cash	52,115
Ad valorem taxes receivable	8,839
Accounts receivable	7,018
Due from other governments	10,499
Due from other funds	111,246
Total assets	\$ 421,852
LIABILITIES	
Accounts payable and accrued liabilities	\$ 43,481
Customer deposits	6,880
Total liabilities	50,361
DEFERRED INFLOWS OF RESOURCES	
Property tax receivable	8,839
FUND BALANCE	
Restricted	
Stabilization by State Statute	128,763
Streets - Powell Bill	32,093
Unassigned	201,796
Total fund balance	362,652
Total liabilities, deferred inflows of resources and fund balance	\$ 421,852

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

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

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

Total fund balance - governmental funds	\$	362,652
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	489,638	
Accumulated depreciation	<u>(154,090)</u>	335,548
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		1,493
Earned revenues considered deferred inflows of resources in the fund statements		8,839
Net position of governmental funds	\$	<u>708,532</u>

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

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

	Major Fund
	General
REVENUES	
Ad valorem taxes	\$ 63,083
Unrestricted intergovernmental	54,669
Restricted intergovernmental	17,564
Sales and services	38,317
Total revenues	173,633
EXPENDITURES	
Current:	
General government	73,008
Transportation	48,077
Environmental protection	27,645
Cultural and recreation	1,500
Capital outlay	11,300
Total expenditures	161,530
Net change in fund balance	12,103
Fund balance - beginning	350,549
Fund balance - ending	\$ 362,652

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

Town of Dover

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

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

Net change in fund balance - governmental funds	\$	12,103
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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		11,300
Depreciation expense for governmental assets		(16,734)

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

Change in unavailable revenue for tax revenue		1,192
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Total changes in net position of governmental activities	\$	7,861
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The accompanying footnotes are an integral part of these financial statements.

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

	General Fund				
	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	
REVENUES					
Ad valorem taxes	\$ 56,950	\$ 56,950	\$ 63,083	\$ 6,133	
Unrestricted intergovernmental	44,800	44,800	54,669	9,869	
Restricted intergovernmental	22,641	22,641	17,564	(5,077)	
Sales and services	40,320	40,320	38,317	(2,003)	
Total revenues	164,711	164,711	173,633	8,922	
EXPENDITURES					
Current:					
General government	94,277	94,277	73,008	21,269	
Transportation	37,920	37,920	48,077	(10,157)	
Environmental protection	29,014	29,014	27,645	1,369	
Cultural and recreation	3,500	3,500	1,500	2,000	
Capital outlay	-	-	11,300	(11,300)	
Total expenditures	164,711	164,711	161,530	3,181	
Revenues over (under) expenditures	-	-	12,103	12,103	
Net change in fund balance	\$ -	\$ -	12,103	\$ 12,103	
Fund balance - beginning			350,549		
Fund balance - ending			\$ 362,652		

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

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

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 21,623
Restricted cash and cash equivalents	19,661
Accounts receivable (net)	25,850
Due from other governments	503
Total current assets	67,637
Noncurrent assets:	
Capital assets:	
Land	163,450
Capital assets, net of depreciation	8,051,368
Total capital assets	8,214,818
Total noncurrent assets	8,214,818
Total assets	8,282,455
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	20,698
Due to other funds	111,246
Customer deposits	19,565
Current portion of long-term debt	22,780
Total current liabilities	174,289
Noncurrent liabilities:	
Long-term debt	182,244
Total liabilities	356,533
NET POSITION	
Net investment in capital assets	8,009,794
Unrestricted (deficit)	(83,872)
Total net position	\$ 7,925,922

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

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

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 212,444
Other operating revenue	14,508
Total operating reveunes	226,952
OPERATING EXPENSES	
Water and sewer administration	72,386
Water treatment and distribution	37,418
Sewer treatment and distribution	112,473
Depreciation	252,997
Total operating expenses	475,274
Change in net position	(248,322)
Total net position, beginning	8,174,244
Total net position, ending	\$ 7,925,922

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

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

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 221,054
Cash paid to or on behalf of employees for services	(13,399)
Cash paid for goods and services	(288,067)
Customer deposits received	2,640
Customer deposits returned	(190)
Net cash used by operating activities	(77,962)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase in due to other funds	12,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on long-term debt	(22,780)
Net decrease in cash and cash equivalents	(87,884)
Balances, beginning of year	129,168
Balances, ending of year	\$ 41,284
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (248,322)
Adjustments to reconcile operating loss to cash used by operations:	
Depreciation	252,997
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(5,898)
(Increase) decrease in due from other governments	287
Increase (decrease) in accounts payable	(79,476)
Increase (decrease) in customer deposits	2,450
Total adjustments	170,360
Net cash used by operating activities	\$ (77,962)

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. As of June 30, 2021, the Town did not have any non-major funds.

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Town reports the following major governmental fund:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data

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

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

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

Town of Dover
Notes to Financial Statements

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Restricted Assets

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

Town of Dover Restricted Cash	
<hr/>	
Governmental activities	
General Fund	
Customer deposits	\$ 6,880
Streets	32,093
Grant funds	13,142
Total governmental activities	<hr/> 52,115
Business-type activities	
Water and Sewer Fund	
Customer deposits	19,565
Grant funds	96
Total business-type activities	<hr/> 19,661
Total Restricted Cash	<hr/> \$ 71,776 <hr/>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. 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.

5. Allowance for Doubtful Accounts

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land - \$500; buildings, improvements, substations, lines, and other plant and distribution systems - \$5,000; infrastructure - \$5,000; furniture and equipment - \$500; computer equipment and computer software - \$500; and vehicles - \$2,000. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and 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	Useful Lives
Buildings	50-100
Machinery and equipment	10-25
Improvements	15
Infrastructure	20
Vehicles	15-60
Furniture and fixtures	10-40
Computer software and equipment	3-10

7. Deferred outflows/inflows of resources

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-Term Obligations

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

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

9. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balance as follows:

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Use of Estimates

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

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

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

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

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

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

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

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

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

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

NOTE II – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Noncompliance with North Carolina General Statutes

The Town is in violation of N.C.G.S. 159-34(a) and 159-33.1 which states that each local government shall have its accounts audited as soon as possible after the close of each fiscal year. The Town failed to provide complete and timely accounting records for the year ended June 30, 2021. The Town's annual audit was submitted late due to turnover in key positions. The Town will continue to review their procedures and policies to assure that their annual audit is submitted in a timely manner in the future.

The Town is in violation of N.C.G.S. 159-33 which states that each local government shall report to the secretary of the Local Government Commission on January 1 and July 1 of each year the amount of funds held in their custody, the amount of deposits of such funds in depositories, and a list of all investment securities and time deposits held by the local government. The Town did not file the semi-annual reports with the Local Government Commission in a timely manner due to a turnover in key positions. The Town will continue to review their procedures and policies to assure that their semi-annual report on deposits and investments are submitted in a timely manner in the future.

The Town is in violation of N.C.G.S. 143-318.10(e) which states "every public body shall keep full and accurate minutes of all official minutes including closed sessions." The Town did not properly maintain a copy of full and accurate minutes of all official meetings. The Town will continue to review their procedures and policies to assure that proper minutes of all official meetings are maintained.

B. Excess of Expenditures Over Appropriation

For the year ended June 30, 2021, expenditures made in the general fund fund exceeded authorized appropriations made by the governing board at the functional level by the following amounts: Transportation services by \$10,157 and capital outlay by \$11,300. Turnover in key positions caused the budget ordinance to not be amended in a timely manner. The Town will continue to review their procedures and policies to assure that expenditures do not exceed authorized amounts. Management and the Board will more closely review the budget reports to ensure compliance in future years.

NOTE III – DETAIL NOTES ON ALL FUNDS

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits.

Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provision of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$317,761 and a bank balance of \$336,359. Of the bank balances, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$100.

2. Receivables – Allowances for Doubtful Accounts

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

General Fund:

Garbage collections accounts receivable	\$ 575
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Enterprise Fund:

Water and sewer accounts receivable	5,516
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Total	\$ 6,091
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Town of Dover
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (Continued)

3. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 39,026	\$ -	\$ -	\$ 39,026
Total capital assets not being depreciated	39,026	-	-	39,026
Capital assets being depreciated:				
Buildings	98,120	-	-	98,120
Furniture and fixtures	1,775	-	-	1,775
Other improvements	15,993	-	-	15,993
Machinery and equipment	299,022	11,300	-	310,322
Computer software	3,904	-	-	3,904
Vehicles and motorized equipment	20,498	-	-	20,498
Total capital assets being depreciated	439,312	11,300	-	450,612
Less accumulated depreciation for:				
Buildings	38,323	1,204	-	39,527
Furniture and fixtures	1,775	-	-	1,775
Other improvements	5,186	1,014	-	6,200
Machinery and equipment	71,169	14,233	-	85,402
Computer software	3,904	-	-	3,904
Vehicles and motorized equipment	16,999	283	-	17,282
Total accumulated depreciation	137,356	\$ 16,734	\$ -	154,090
Total capital assets being depreciated, net	301,956			296,522
Governmental activities capital assets, net	\$ 340,982			\$ 335,548

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

General Government	\$ 1,215
Transportation	3,131
Cultural and recreation	12,388
Total depreciation expense	\$ 16,734

Town of Dover
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

3. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 776,816	\$ -	\$ 776,816	\$ -
Land	163,450	-	-	163,450
Total capital assets not being depreciated	940,266	-	776,816	163,450
Capital assets being depreciated:				
Plant and distribution system	9,711,035	776,816	-	10,487,851
Furniture, fixtures, and equipment	26,408	-	-	26,408
Total capital assets being depreciated	9,737,443	776,816	-	10,514,259
Less accumulated depreciation for:				
Plant and distribution system	2,190,992	251,912	-	2,442,904
Furniture, fixtures, and equipment	18,902	1,085	-	19,987
Total accumulated depreciation	2,209,894	\$ 252,997	\$ -	2,462,891
Total capital assets being depreciated, net	<u>7,527,549</u>			<u>8,051,368</u>
Business-type activities capital assets, net	<u>\$ 8,467,815</u>			<u>\$ 8,214,818</u>

B. Liabilities

1. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured value of the property policy, and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Excess insurance coverage is purchased by the Board of Trustees to protect against large worker's compensation claims that exceed certain dollar cost levels.

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town has automatic flood coverage through their insurance with the League of Municipalities. The property is insured up to \$500,000 per occurrence with a deductible of \$50,000.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The town clerk is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$10,000.

2. Long-Term Obligations

a. Installment purchase obligation

Installment purchase obligation at June 30, 2021 is comprised of the following individual issue used for sewer construction.

\$457,939, 2009 ARRA-Capitalization Grants for State Revolving Funds due on May 1 in installments of \$22,780 through May 1, 2030; interest at 0.0%	<u><u>\$ 205,024</u></u>
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Town of Dover
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-type activities	
	Principal	Interest
2022	\$ 22,780	\$ -
2023	22,780	-
2024	22,780	-
2025	22,780	-
2026	22,780	-
2027-2030	91,124	-
Total	\$ 205,024	\$ -

Installment purchase obligations from direct borrowings in the amount of \$205,024 include provisions that if the Town is determined to be in default, the full amount of the obligations could become due immediately, at the discretion of the lender.

At June 30, 2021, the Town had and a legal debt margin of \$1,446,527.

b. Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Business-type activities:					
Installment purchase obligation	\$ 227,804	\$ -	\$ 22,780	\$ 205,024	\$ 22,780

C. Interfund Balances and Activity

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

Due To	Due From	Amount
General Fund	Water and Sewer Fund	\$ 111,246

The General Fund has advanced monies to the Water and Sewer Fund for operating purposes. As excess operating funds are received in the Water and Sewer Fund, the outstanding balance will be repaid. The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Town of Dover
Notes to Financial Statements

NOTE III – DETAIL NOTES ON ALL FUNDS (continued)

D. Fund Balance

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

Total Fund Balance - General Fund	\$ 362,652
Less:	
Stabilization by State Statute	128,763
Streets - Powell Bill	32,093
<hr/>	
Remaining Fund Balance	\$ 201,796
<hr/>	

NOTE IV – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

NOTE V – JOINTLY GOVERNED ORGANIZATION

The Town, in conjunction with nine counties and forty-five other municipalities established the Eastern Carolina Council. The participating governments established the Council to coordinate various funding received from state and federal agencies. Each participating government appoints one member to the Council's governing board. The Town paid membership fees of \$240 during fiscal year ended June 30, 2021.

NOTE VI – UNCERTAINTIES

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

NOTE VII – SIGNIFICANT EFFECTS OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2022, the date which the financial statements were available to be issued.

American Rescue Plan Grant

Subsequent to June 30, 2021, the Town received \$61,509 from the United States Department of the Treasury from the American Rescue Plan in fiscal year 2022. The Town will receive an equal additional grant in fiscal year 2023. American Rescue Plan grant funds must be obligated by December 31, 2024 and expended by December 31, 2026. Grant funds can be expended for the following purposes:

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

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

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Ad valorem taxes			
Taxes		\$ 62,303	
Penalties and interest		780	
Total	\$ 56,950	63,083	\$ 6,133
Unrestricted intergovernmental			
Local option sales tax		36,185	
Utility franchise tax		16,643	
Beer and wine tax		1,562	
Solid waste disposal tax		279	
Total	44,800	54,669	9,869
Restricted intergovernmental			
CARES funding		6,231	
Powell Bill allocation		11,333	
Total	22,641	17,564	(5,077)
Sales and services			
Garbage fees		38,217	
Other services		100	
Total	40,320	38,317	(2,003)
Total revenues	164,711	173,633	8,922

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

	Budget	Actual	Variance Positive (Negative)
EXPENDITURES			
General government			
Administration			
Salaries and benefits		14,722	
Telephone and postage		3,660	
Supplies and printing		8,430	
Dues		2,041	
Repairs and maintenance		2,869	
Professional fees		15,387	
Insurance		15,212	
Other expenditures		9,988	
Total administration	94,277	72,309	21,968
Public buildings			
Utilities		699	(699)
Total general government	94,277	73,008	21,269
Transportation			
Salaries and benefits		23,492	
Street lights		15,110	
Repairs and maintenance		9,475	
Total transportation	37,920	48,077	(10,157)
Environmental protection			
Sanitation services	29,014	27,645	1,369
Cultural and recreation			
Other expenditures	3,500	1,500	2,000
Capital outlay	-	11,300	(11,300)
Total expenditures	164,711	161,530	3,181
Revenues over (under) expenditures	-	12,103	12,103
Net change in fund balance	\$ -	12,103	\$ 12,103
Fund balance, beginning		350,549	
Fund balance, ending		\$ 362,652	

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

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Operating revenues			
Charges for services			
Water sales		\$ 98,777	
Sewer sales		113,667	
Other operating revenues		14,508	
Total operating revenues	\$ 316,729	226,952	\$ (89,777)
EXPENDITURES			
Operating expenditures			
Water and sewer administration			
Salaries and benefits		13,399	
Contracted services		36,343	
Other operating expenditures		22,644	
Total water and sewer administration	74,130	72,386	1,744
Water treatment and distribution			
Utilities		12,307	
Repairs and maintenance		19,975	
Chemicals		3,782	
Lab expense		1,354	
Total water treatment and distribution	83,900	37,418	46,482
Sewage treatment and distribution			
Treatment cost		112,473	
Total sewer treatment and distribution	135,918	112,473	23,445

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

	Budget	Actual	Variance Positive (Negative)
Debt service			
Principal	22,781	22,780	
Total	22,781	22,780	1
Total operating expenditures	316,729	245,057	71,672
Revenues over (under) expenditures	\$ -	(18,105)	\$ (18,105)

Reconciliation from budgetary basis to full accrual:

Reconciling items:

Debt principal	22,780
Depreciation	(252,997)
Total reconciling items	(230,217)

Change in net position	\$ (248,322)
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Town of Dover
2018 Neighborhood Revitalization Program
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
From Inception and For the Year Ended June 30, 2021

	Project Authorization	Prior Years	Actual Current Years	Total to Date	Variance Favorable (Unfavorable)
Revenues:					
Restricted Intergovernmental:					
Federal grant - CDBG	\$ 750,000	\$ -	\$ -	\$ -	\$ (750,000)
Total revenues	750,000	-	-	-	(750,000)
Expenditures:					
Rehabilitation	750,000	402	-	402	749,598
Total expenditures	750,000	402	-	402	749,598
Revenues over					
(under) expenditures	\$ -	\$ (402)	\$ -	\$ (402)	\$ (402)

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

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 63,286	\$ 59,359	\$ 3,927
2019-2020	5,898	-	2,596	3,302
2018-2019	605	-	288	317
2017-2018	185	-	3	182
2016-2017	192	-	57	135
2015-2016	120	-	-	120
2014-2015	86	-	-	86
2013-2014	381	-	-	381
2012-2013	282	-	-	282
2011-2012	107	-	-	107
2010-2011	111	-	111	-
	<u>\$ 7,967</u>	<u>\$ 63,286</u>	<u>\$ 62,414</u>	<u>8,839</u>

Less: allowance for uncollectible amounts -

Ad valorem taxes receivable - net \$ 8,839

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 63,083
Penalties and interest	(780)
Taxes written off	<u>111</u>

Total collections and credits \$ 62,414

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

			<u>Total Levy</u>		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Property taxed at current	\$ 18,038,582	0.35	\$ 63,135	\$ 51,646	\$ 11,489
Discoveries	340,500	0.35	1,192	1,192	-
Releases	(297,500)	0.35	(1,041)	(1,041)	-
Total property valuation	<u>\$ 18,081,582</u>				
Net levy			\$ 63,286	\$ 51,797	\$ 11,489
Uncollected taxes at June 30, 2021			<u>3,927</u>	<u>3,927</u>	<u>-</u>
Current year's tax collected			<u>\$ 59,359</u>	<u>\$ 47,869</u>	<u>\$ 11,489</u>
Current levy collection percentage			<u>93.79%</u>	<u>92.42%</u>	<u>100.00%</u>

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

To the Honorable Mayor and
Members of the Board of Alderman
Town of Dover, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Dover, North Carolina (the "Town"), as of and for the year ended June 30, 2021, and the related notes to the financial statement, which collectively comprises the Town's basic financial statements, and have issued our report thereon dated October 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2021-1, 2021-2, and 2021-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as items 2021-4 and 2021-5 to be significant deficiencies.

Compliance and Other Matters

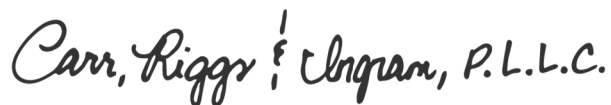
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-2, 2021-3, 2021-4 and 2021-5.

Town's Response to Finding

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

Purpose of this Report

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



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

October 20, 2022

New Bern, North Carolina

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

FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-1 Key account reconciliations

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

Condition: In reviewing records and testing certain account balances within the general fund and water and sewer fund, we noted that several accounts were not reconciled and adjusted. Several adjustments had to be proposed to correct the financial statements.

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

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

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

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

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

Corrective action: The Town has begun identifying areas where reconciliations are required and adding them to the monthly and quarterly standard accounting close processes. Management is in the process of reorganizing functions within the finance department that will improve processes and ensure key accounts are reconciled timely and accurately. Implementation of new controls are being addressed and should be completed no later than September 30, 2022.

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

Material Weakness

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

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

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

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

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

Identification of a repeat finding: This is a repeat finding from the prior audit identified as item 2020-2.

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

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

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

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

Material Weakness

2021-3 Excess of Expenditures Over Budget

Criteria: North Carolina G.S. 15-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay the current fiscal year sums obligated by the transactions for the current fiscal year.

Condition: For the fiscal year ended June 30, 2021, expenditures made in the General Fund exceeded the authorized appropriations made at the functional level by the governing board in the following amounts: Transportation services by \$10,157; and capital outlay by \$11,300.

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

Cause: Turnover in key positions caused the budget ordinance to not be amended in a timely manner.

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

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

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

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

Significant Deficiency

2021-4 Noncompliance with North Carolina General State Statute – Minutes of all Meetings

Criteria: North Carolina G.S. 143-318.10(e) states that every public body shall keep full and accurate minutes of all official meetings, including any closed sessions.

Condition: For the fiscal year ended June 30, 2021, the Town was not able to produce full and accurate meeting for all official meetings.

Effect: The Town's management and citizens do not have access to full and accurate minutes for decision-making, monitoring of the town's financial position and adherence to laws, regulations, and other requirements. Additionally, errors in financial reporting could occur and not be detected.

Cause: Turnover in key positions caused a gap in recording full and accurate minutes.

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

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

Corrective action: The Town has begun identifying areas where additional training is available and implement new controls to comply with North Carolina G.S. 143-318.10(e).

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

Significant Deficiency

2021-5 Noncompliance with North Carolina General State Statute – Semi-Annual Reporting on Deposits

Criteria: North Carolina G.S. 159-33 states that each local government shall report to the secretary of the Local Government Commission on January 1 and July 1 of each year the amount of funds held in their custody, the amount of deposits of such funds in depositories, and a list of all investment securities and time deposits held by the local government.

Condition: For the fiscal year ended June 30, 2021, the Town did not submit Forms LGC-203 and COLL-91 in a timely manner. Both reports were filed after the due date.

Effect: The Town's semi-annual deposit and investment reports were not submitted by the required due date.

Cause: Turnover in key positions caused the required reports to be filed late.

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

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

Corrective action: The Town has begun identifying areas where additional training is available and implement new controls to comply with North Carolina G.S. 143-318.10(e).