

REVIEWED

By SLGFD at 12:31 pm, Feb 15, 2022

**TOWN OF ELIZABETHTOWN, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2021**

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FINANCIAL STATEMENTS
June 30, 2021**

TOWN MANAGER

Dane Rideout

FINANCE OFFICER

Sharon Penny

BOARD OF TOWN COUNCIL

Sylvia B. Campbell, Mayor

Rufus D. Lloyd, Mayor Pro Tem

Herman L. Lewis

Paula Green

Rich Glenn

Ricky Leinwand

Howell Clark

ATTORNEY

H. Goldston Womble, Jr.

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. The financial statements of the Town of Elizabethtown ABC Board and the Elizabethtown Airport/Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-10), the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, (pages 46-47) and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll (pages 48-49) 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Elizabethtown, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules and the accompanying Schedule of Expenditures of Federal and State Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of Town of Elizabethtown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is 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 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 of Elizabethtown's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

January 24, 2022

Town of Elizabethtown
Management's Discussion and Analysis

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

Financial Highlights

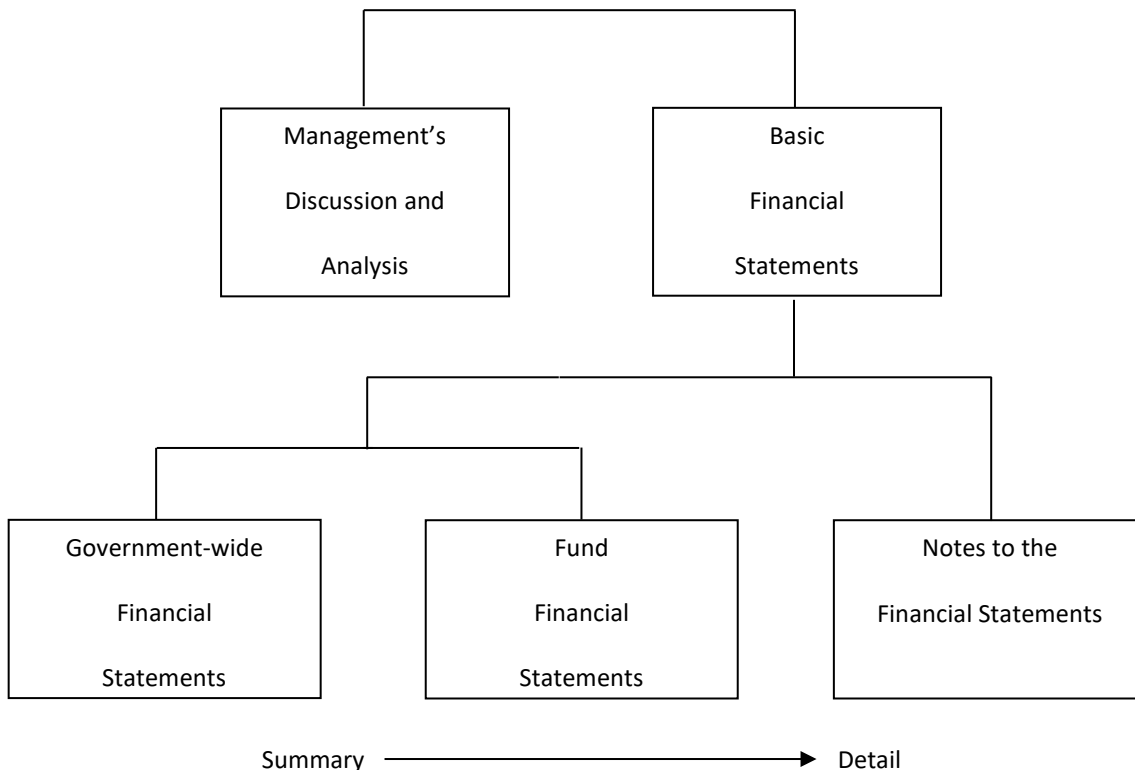
- The assets and deferred outflows of resources of the Town of Elizabethtown exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$33,445,430 (*net position*).
- The government's total net position increased by \$782,216.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,967,625 a decrease of \$640,730 in fund balance. \$2,708,228 is non spendable or restricted, leaving \$(740,603) available fund balance. The General Fund had a prior period adjustment of \$310,820 for the fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$438,535.
- The Town of Elizabethtown's total debt decreased by \$185,320 during the current fiscal year. The key factor in the increase was the new debt issued and the regularly scheduled debt payments.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities and 3) component units. The governmental activities include most of the Town's basic services such as public safety, sanitation and general administration. Property taxes finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Elizabethtown. The final category is the component units. Although legally separate from the Town, the ABC Board and Airport/Economic Development Commission are important to the Town because the Town exercises control over the Boards by appointing their members. The ABC Board is required to distribute its profits to the Town.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Elizabethtown, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Elizabethtown 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 of Elizabethtown's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Elizabethtown 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 – Town of Elizabethtown has only 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. Town of Elizabethtown uses enterprise funds to account for its water and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 21-45 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elizabethtown's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 46 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.

Government-Wide Financial Analysis

Town of Elizabethtown's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 2,867,477	\$ 2,995,031	\$ 3,675,909	\$ 4,060,576	\$ 6,543,386	\$ 7,055,607
Capital assets	20,486,858	18,710,093	13,448,846	13,191,031	33,935,704	31,901,124
Total assets	23,354,335	21,705,124	17,124,755	17,251,607	40,479,090	38,956,731
Deferred Outflows of Resources	749,159	556,990	84,330	84,539	833,489	641,529
Liabilities						
Current and other liabilities:	751,570	234,380	245,108	206,769	996,678	441,149
Long-term liabilities:						
Due within one year	399,011	281,089	77,649	80,323	476,660	361,412
Due in more than one year	5,249,003	4,885,405	997,498	1,047,562	6,246,501	5,932,967
Total liabilities	6,399,584	5,400,874	1,320,255	1,334,654	7,719,839	6,735,528
Deferred Inflows of Resources	140,633	130,105	6,677	6,665	147,310	136,770
Net Position						
Net investment in capital assets	16,622,722	14,959,226	12,548,634	12,221,624	29,171,356	27,180,850
Restricted for						
Stabilization by						
State Statute	1,699,302	1,718,443	-	-	1,699,302	1,718,443
Reserve for debt	71,870	64,121	-	-	71,870	64,121
Administration	243,708	412,506	-	-	243,708	412,506
Economic and Physical						
Development	30,232	30,231	-	-	30,232	30,231
Transportation	663,116	603,267	-	-	663,116	603,267
Unrestricted	(1,767,673)	(1,056,659)	3,333,519	3,773,203	1,565,846	2,716,544
Total net position	\$ 17,563,277	\$ 16,731,135	\$ 15,882,153	\$ 15,994,827	\$ 33,445,430	\$ 32,725,962

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Elizabethtown exceeded liabilities and deferred inflows of resources by \$33,445,430 as of June 30, 2021. The Town's net position increased by \$782,216 for the fiscal year ended June 30, 2021. However, the largest portion \$29,171,356 (87%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elizabethtown 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 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, \$2,708,228 (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,565,846 (5%) is unrestricted.

Several particular aspects of Elizabethtown's financial operations were the reason for the increase in net position for the total governmental, including the following:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 97.07% was a positive factor.
- Several grants were received during the year.

Town of Elizabethtown's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Charges for Services	\$ 1,430,305	\$ 1,807,866	\$ 1,825,600	\$ 1,566,272	\$ 3,255,905	\$ 3,374,138
Grants and Entitlements	2,694,007	2,735,415	164,129	206,090	2,858,136	2,941,505
General Revenue						
Property Taxes	1,775,343	1,762,513	-	-	1,775,343	1,762,513
Other Taxes	16,105	13,740	-	-	16,105	13,740
Grants and contributions not restricted to specific programs	1,204,374	1,136,957	-	-	1,204,374	1,136,957
Investment Earnings	1,110	68,729	-	1,126	1,110	69,855
Other	103,182	22,651	(12,380)	-	90,802	22,651
Total Revenues	<u>7,224,426</u>	<u>7,547,871</u>	<u>1,977,349</u>	<u>1,773,488</u>	<u>9,201,775</u>	<u>9,321,359</u>
Expenses						
General Government	1,177,291	1,393,638	-	-	1,177,291	1,393,638
Public Safety	2,706,013	2,573,239	-	-	2,706,013	2,573,239
Transportation	848,530	612,402	-	-	848,530	612,402
Economic and Physical Development	833,828	493,461	-	-	833,828	493,461
Environmental Protection	551,765	538,988	-	-	551,765	538,988
Cultural and Recreation	129,335	364,643	-	-	129,335	364,643
Interest on Long-Term Debt	82,774	40,724	-	-	82,774	40,724
Water and Sewer Fund	-	-	2,090,023	1,920,178	2,090,023	1,920,178
Total Expenses	<u>6,329,536</u>	<u>6,017,095</u>	<u>2,090,023</u>	<u>1,920,178</u>	<u>8,419,559</u>	<u>7,937,273</u>
Increase(Decrease) in Net Position	894,890	1,530,776	(112,674)	(146,690)	782,216	1,384,086
Net Position, beginning	<u>16,731,135</u>	<u>15,200,359</u>	<u>15,994,827</u>	<u>16,141,517</u>	<u>32,725,962</u>	<u>31,341,876</u>
Restatement	(62,748)	-	-	-	(62,748)	-
Net Position, beginning (restated)	<u>16,668,387</u>	<u>15,200,359</u>	<u>15,994,827</u>	<u>16,141,517</u>	<u>32,663,214</u>	<u>31,341,876</u>
Net Position, ending	<u>\$ 17,563,277</u>	<u>\$ 16,731,135</u>	<u>\$ 15,882,153</u>	<u>\$ 15,994,827</u>	<u>\$ 33,445,430</u>	<u>\$ 32,725,962</u>

Governmental activities. Governmental activities increased the Town's net position by \$894,890, thereby accounting for 114% of the growth in the net position of the Town of Elizabethtown. Key elements of this increase are as follows:

- Expenditures increased.
- Continued success in securing Federal and State grants for various projects.

Business-type activities: Business-type activities refer to the Water/Sewer Fund which reported a decrease of Elizabethtown's net position by \$112,674 accounting for (14)% of the positive net change in the government's net position. Key elements of this activity are as follows:

- Increase in expenditures.
- Service revenue increased during the year.
- Grant revenue decreased during the year.

Financial Analysis of the Town of Elizabethtown'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 of Elizabethtown'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.

The general fund is the chief operating fund of the Town of Elizabethtown. At the end of the current fiscal year, fund balance available for the General Fund was \$438,535 while total fund balance reached \$2,252,748. As a measure of the general fund's liquidity, it may be useful to compare both available fund balance and total fund balance to total fund expenditures. Available fund balance represents approximately 9% of total General Fund expenditures. This percentage is above the Local Government Commission's recommended percentage of 8%. Fund balance will increase in the upcoming year as FEMA reimburses the town for a large project that was completed using General Fund resources.

At June 30, 2021, the governmental funds of the Town reported a combined fund balance of \$1,967,625 a decrease over last year.

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

Revenues were more than the budgeted amounts primarily because revenue was budgeted conservatively as were the expenditures and the town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Elizabethtown's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$3,333,519. The decrease in net position for this fund was \$112,674. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Elizabethtown's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Elizabethtown's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$33,935,704 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Purchase of various equipment and vehicles.
- Expansion in the Water and Sewer Capital Project Fund.

**Town of Elizabethtown's Capital Assets
(net of accumulated depreciation)**

Figure 4

Additional information on the Town's capital assets can be found in notes of the Basic Financial Statements.

	Governmental Activities		Business Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land and construction in progress	\$ 4,565,027	\$ 1,922,167	\$ 1,395,098	\$ 646,173	\$ 5,960,125	\$ 2,568,340
Buildings	7,314,292	7,944,215	439,413	-	7,753,705	7,944,215
Infrastructure	7,639,424	8,115,083	-	-	7,639,424	8,115,083
Plant and Distribution	-	-	11,810,663	12,287,392	11,810,663	12,287,392
Equipment	120,795	252,949	244,563	257,466	365,358	510,415
Vehicles	390,428	475,679	-	-	390,428	475,679
	<u>\$ 20,029,966</u>	<u>\$ 18,710,093</u>	<u>\$ 13,889,737</u>	<u>\$ 13,191,031</u>	<u>\$ 33,919,703</u>	<u>\$ 31,901,124</u>

Long-term Debt. As of June 30, 2021, the Town of Elizabethtown had no bonded debt outstanding.

Town of Elizabethtown's Outstanding Debt

The Town of Elizabethtown's total debt decreased by \$185,320 during the past fiscal year, primarily due to newly issued notes payable for equipment purchases and regularly scheduled debt payments.

Town of Elizabethtown's Outstanding Debt

Figure 5

	Governmental Activities		Business Types Activities		Totals	
	2021	2020	2021	2020	2021	2020
Direct Placement Installment Agreements	\$ 2,834,237	\$ 2,896,995	\$ -	\$ -	\$ 2,834,237	\$ 2,896,995
Direct Borrowing Note Payable	1,029,899	1,083,266	900,212	969,407	1,930,111	2,052,673
	<u>\$ 3,864,136</u>	<u>\$ 3,980,261</u>	<u>\$ 900,212</u>	<u>\$ 969,407</u>	<u>\$ 4,764,348</u>	<u>\$ 4,949,668</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue up to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town of Elizabethtown's total debt is well below this limit.

Additional information regarding the Town of Elizabethtown's long-term debt can be found in the notes beginning on page 41 of this report.

Economic Factors and Next Year's Budgets and Rates

Due to Elizabethtown's size, it is difficult to show any real increase in jobs within the Town's boundaries. Management reviews the County of Bladen's economic conditions to monitor effects on the economy of the Town.

The property tax rate for the Town is not expected to change for the coming budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: Property taxes and sales tax revenue are expected to remain the same. The Town will continue its commitment to reducing the cost of delivering services.

Business – type Activities: The water and sewer rates in the Town are expected to increase by the consumer price index.

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 attention of Finance Officer, Town of Elizabethtown, P.O. Box 716, Elizabethtown, NC 28337. You can also call 910-862-3979.

Basic Financial Statements

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

Exhibit 1

	Primary Government			Town of	Elizabethtown
	Governmental	Business-Type	Total	Elizabethtown	Elizabethtown
	Activities	Activities		ABC Board	Airport/Econ Development Commission
Assets					
Current Assets:					
Cash and cash equivalents	\$ 898,896	\$ 2,338,569	\$ 3,237,465	\$ 620,299	\$ 139,420
Restricted cash	937,056	183,740	1,120,796	-	1,600
Taxes receivables (net)	135,713	-	135,713	-	-
Accrued interest receivable on taxes	27,520	-	27,520	-	-
Accounts receivable (net)	164,123	294,855	458,978	-	15,229
Due from other governments	1,504,242	-	1,504,242	-	-
Internal balances with component units	30,937	-	30,937	-	-
Internal Balances	(548,401)	548,401	-	-	-
Inventories	-	27,735	27,735	168,153	12,808
Prepaid items	-	-	-	621	1,622
Total Current Assets	<u>3,150,086</u>	<u>3,393,300</u>	<u>6,543,386</u>	<u>789,073</u>	<u>170,679</u>
Non-current Assets:					
Internal Balances	(282,609)	282,609	-	-	-
Capital assets					
Land, non-depreciable improvements and construction in progress	4,565,027	1,395,098	5,960,125	34,626	-
Other capital assets, net of depreciation	15,921,831	12,053,748	27,975,579	113,614	98,724
Total Capital Assets	<u>20,486,858</u>	<u>13,448,846</u>	<u>33,935,704</u>	<u>148,240</u>	<u>98,724</u>
Total Assets	<u>23,354,335</u>	<u>17,124,755</u>	<u>40,479,090</u>	<u>937,313</u>	<u>269,403</u>
Deferred Outflows of Resources	<u>749,159</u>	<u>84,330</u>	<u>833,489</u>	<u>24,777</u>	<u>-</u>
Liabilities					
Current Liabilities:					
Accounts payable and accrued liabilities	208,715	17,605	226,320	185,873	6,820
Internal balances with component units	-	-	-	28,317	2,620
Accrued interest	25,294	-	25,294	-	-
Current portion of long term liabilities	399,011	77,649	476,660	-	-
Liabilities payable from restricted assets:					
Accounts payable	517,561	43,763	561,324	-	-
Customer deposits	-	183,740	183,740	-	1,600
Long-term liabilities:					
Net pension liability	1,178,916	160,761	1,339,677	35,020	-
Total pension liability	442,519	-	442,519	-	-
Due in more than one year	3,627,568	836,737	4,464,305	6,578	-
Total Liabilities	<u>6,399,584</u>	<u>1,320,255</u>	<u>7,719,839</u>	<u>255,788</u>	<u>11,040</u>
Deferred Inflows of Resources	<u>140,633</u>	<u>6,677</u>	<u>147,310</u>	<u>2,375</u>	<u>-</u>
Net Position					
Net investment in capital assets	16,622,722	12,548,634	29,171,356	148,240	98,724
Restricted for:					
Stabilization by state statute	1,699,302	-	1,699,302	-	15,229
Debt reserve	71,870	-	71,870	-	-
Administration	243,708	-	243,708	-	-
Economic and physical development	30,232	-	30,232	-	-
Transportation	663,116	-	663,116	-	-
Working capital	-	-	-	68,264	-
Unrestricted	(1,767,673)	3,333,519	1,565,846	487,423	144,410
Total Net Position	<u>\$ 17,563,277</u>	<u>\$ 15,882,153</u>	<u>\$ 33,445,430</u>	<u>\$ 703,927</u>	<u>\$ 258,363</u>

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

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

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position				
					Primary Government				Elizabethtown
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	Town of Elizabethtown ABC Board	Airport/Econ Development Commission
Functions/Programs	Expenses	Charges for Services							
Primary Government:									
Governmental Activities:									
General Government	\$ 1,177,291	\$ 151,494	\$ 65,533	\$ 104,380	\$ (855,884)	\$ -	\$ (855,884)	\$ -	\$ -
Public Safety	2,706,013	230,055	13,797	100,000	(2,362,161)	-	(2,362,161)	-	-
Transportation	848,530	-	99,463	-	(749,067)	-	(749,067)	-	-
Economic & Physical Development	833,828	-	-	343,851	(489,977)	-	(489,977)	-	-
Environmental Protection	551,765	1,042,406	3,167	-	493,808	-	493,808	-	-
Cultural and Recreation	129,335	6,350	-	1,963,816	1,840,831	-	1,840,831	-	-
Interest on Long-Term Debt	82,774	-	-	-	(82,774)	-	(82,774)	-	-
Total Governmental Activities	6,329,536	1,430,305	181,960	2,512,047	(2,205,224)	-	(2,205,224)	-	-
Business-Type Activities:									
Water and Sewer Fund	2,090,023	1,825,600	-	164,129	-	(100,294)	(100,294)	-	-
Total Business-Type Activities	2,090,023	1,825,600	-	164,129	-	(100,294)	(100,294)	-	-
Total primary government	\$ 8,419,559	\$ 3,255,905	\$ 181,960	\$ 2,676,176	(2,205,224)	(100,294)	(2,305,518)	-	-
Component Units:									
Town of Elizabethtown ABC Board	\$ 2,243,481	\$ 2,328,907	\$ -	\$ -	-	-	-	85,426	-
Elizabethtown Airport/Economic	257,059	181,595	93,047	-	-	-	-	-	17,583
Total component units	\$ 2,500,540	\$ 2,510,502	\$ 93,047	\$ -	-	-	-	85,426	17,583
General Revenues:									
Taxes:									
Property taxes, levied for general purpose					1,775,343	-	1,775,343	-	-
Other taxes					16,105	-	16,105	-	-
Grants and contributions not restricted to specific programs					1,204,374	-	1,204,374	-	-
Investment earnings, unrestricted					1,110	-	1,110	1,616	342
Miscellaneous					103,182	(12,380)	90,802	-	-
Total general revenues					3,100,114	(12,380)	3,087,734	1,616	342
Change in net position					894,890	(112,674)	782,216	87,042	17,925
Net position - Beginning, previously reported					16,731,135	15,994,827	32,725,962	616,885	240,438
Restatement					(62,748)	-	(62,748)	-	-
Net position - Beginning					16,668,387	15,994,827	32,663,214	616,885	240,438
Net position - Ending					\$ 17,563,277	\$ 15,882,153	\$ 33,445,430	\$ 703,927	\$ 258,363

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

Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds					Total	Total
	General	Greene's Lake Capital Project	Fire & Rescue Department Bldg Capital Project	Elizabethtown Cemetery Capital Project	Airport Capital Projects	Non-Major Funds	Governmental Funds
Assets							
Cash and cash equivalents	\$ 880,770	\$ 990	\$ -	\$ 16,262	\$ 874	\$ -	\$ 898,896
Restricted cash	906,824	-	-	-	-	30,232	937,056
Restricted receivables	-	500,000	-	513,962	7,725	-	1,021,687
Receivables (net):							
Taxes	135,713	-	-	-	-	-	135,713
Accounts	164,123	-	-	-	-	-	164,123
Due from other governments	472,890	9,665	-	-	-	-	482,555
Due from component unit	30,937	-	-	-	-	-	30,937
Total assets and other debits	<u>\$ 2,591,257</u>	<u>\$ 510,655</u>	<u>\$ -</u>	<u>\$ 530,224</u>	<u>\$ 8,599</u>	<u>\$ 30,232</u>	<u>\$ 3,670,967</u>
Liabilities							
Liabilities:							
Accounts payable and accrued liabilities	\$ 192,453	\$ -	\$ -	\$ 16,262	\$ -	\$ -	\$ 208,715
Accounts payable from restricted assets	-	-	-	513,962	3,599	-	517,561
Due to other funds	-	512,000	314,010	-	5,000	-	831,010
Total liabilities	<u>192,453</u>	<u>512,000</u>	<u>314,010</u>	<u>530,224</u>	<u>8,599</u>	<u>-</u>	<u>1,557,286</u>
Deferred Inflows of Resources							
Taxes Receivable	135,713	-	-	-	-	-	135,713
Prepaid Taxes	10,343	-	-	-	-	-	10,343
Total Deferred Inflows of Resources	<u>146,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,056</u>
Fund Balances:							
Restricted:							
Stabilization by State Statute	667,950	509,665	-	513,962	7,725	-	1,699,302
Administration	243,708	-	-	-	-	-	243,708
Streets	663,116	-	-	-	-	-	663,116
Debt Reserve	71,870	-	-	-	-	-	71,870
Economic Development	-	-	-	-	-	30,232	30,232
Assigned:							
Subsequent Year Expenditures	167,569	-	-	-	-	-	167,569
Unassigned	438,535	(511,010)	(314,010)	(513,962)	(7,725)	-	(908,172)
Total Fund Balances	<u>2,252,748</u>	<u>(1,345)</u>	<u>(314,010)</u>	<u>-</u>	<u>-</u>	<u>30,232</u>	<u>1,967,625</u>
Total liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,591,257</u>	<u>\$ 510,655</u>	<u>\$ -</u>	<u>\$ 530,224</u>	<u>\$ 8,599</u>	<u>\$ 30,232</u>	<u>\$ 3,670,967</u>

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

Exhibit 3,
continued

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balance, Governmental Funds	\$	1,967,625
--	----	-----------

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$	30,592,564	
Accumulated depreciation		<u>(10,105,706)</u>	20,486,858

Deferred outflows of resources related to pensions are not reported in the funds	749,159
--	---------

Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	27,520
---	--------

Liabilities for earned revenues considered deferred inflows of resources in fund statements.	135,713
--	---------

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the net assets of governmental activities.	(4,026,579)
--	-------------

Deferred inflows of resources related to pensions are not reported in the funds	(130,290)
---	-----------

Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds.	(25,294)
---	----------

Net pension liability	(1,178,916)
Total pension liability	(442,519)

Net position of governmental activities	\$ <u><u>17,563,277</u></u>
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Town of Elizabethtown, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2021

Exhibit 4

	Major Funds					Total	Total
	General	Greene's Lake	Fire & Rescue	Elizabethtown	Airport	Non-Major	Governmental
	Fund	Capital Project	Department	Cemetery	Capital Projects	Funds	Funds
Revenues:							
Ad valorem taxes	\$ 1,784,393	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,784,393
Other taxes and licenses	16,105	-	-	-	-	-	16,105
Unrestricted intergovernmental	1,204,374	-	-	-	-	-	1,204,374
Restricted intergovernmental	181,960	483,131	-	1,480,685	343,851	-	2,489,627
Permits and fees	24,880	-	-	-	-	-	24,880
Sales and services	1,397,455	-	-	-	-	-	1,397,455
Investment earnings	1,102	-	-	-	-	1	1,103
Miscellaneous	128,463	-	100,000	-	-	-	228,463
Total revenues	<u>4,738,732</u>	<u>483,131</u>	<u>100,000</u>	<u>1,480,685</u>	<u>343,851</u>	<u>1</u>	<u>7,146,400</u>
Expenditures:							
Current:							
General government	1,084,519	-	-	-	-	-	1,084,519
Public safety	2,357,306	-	16,001	-	-	-	2,373,307
Transportation	623,791	-	-	-	-	-	623,791
Economic & Physical Development	40,000	-	-	-	459,494	-	499,494
Environmental protection	551,765	-	-	-	-	-	551,765
Cultural and recreation	35,921	629,798	-	1,480,685	-	-	2,146,404
Debt service							
Principal	269,513	-	-	-	-	-	269,513
Interest	80,905	-	-	-	-	-	80,905
Total expenditures	<u>5,043,720</u>	<u>629,798</u>	<u>16,001</u>	<u>1,480,685</u>	<u>459,494</u>	<u>-</u>	<u>7,629,698</u>
Revenues over (under) expenditures	<u>(304,988)</u>	<u>(146,667)</u>	<u>83,999</u>	<u>-</u>	<u>(115,643)</u>	<u>1</u>	<u>(483,298)</u>
Other financing sources (uses):							
Transfers from other funds	-	147,322	-	-	76,071	-	223,393
Transfers to other funds	(223,393)	-	-	-	-	-	(223,393)
Proceeds from debt obligations	153,388	-	-	-	-	-	153,388
Total other financing sources (uses)	<u>(70,005)</u>	<u>147,322</u>	<u>-</u>	<u>-</u>	<u>76,071</u>	<u>-</u>	<u>153,388</u>
Net Change in Fund Balance	<u>(374,993)</u>	<u>655</u>	<u>83,999</u>	<u>-</u>	<u>(39,572)</u>	<u>1</u>	<u>(329,910)</u>
Fund Balance, Beginning as Previously Reported	2,938,561	(2,000)	(398,009)	-	39,572	30,231	2,608,355
Prior Period Adjustment (Note 8)	<u>(310,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(310,820)</u>
Fund Balance, Beginning as Restated	2,627,741	(2,000)	(398,009)	-	39,572	30,231	2,297,535
Fund balances, ending	<u>\$ 2,252,748</u>	<u>\$ (1,345)</u>	<u>\$ (314,010)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,232</u>	<u>\$ 1,967,625</u>

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

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

Exhibit 4,
continued

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

Net changes in fund balances - total governmental funds	\$	(329,910)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Depreciation	\$	(1,063,831)
Donated Property		104,380
Capital Outlay		2,276,061
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.		<u>(17,311)</u>
		1,299,299
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		214,409
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Net Position		13,354
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(9,050)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. These amounts are the net effect of the differences in the treatment of long-term debt and related items.		
New long-term debt issued	(153,388)	
Principal payments on long-term debt	269,513	
(Increase)/Decrease in accrued interest payable	<u>(1,869)</u>	114,256
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(11,960)	
Pension expense	<u>(395,508)</u>	(407,468)
Total changes in net position of governmental activities.	\$	<u><u>894,890</u></u>

General Fund

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

For the Year Ended June 30, 2021

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 1,789,800	\$ 1,789,800	\$ 1,784,393	\$ (5,407)
Other taxes and licenses	1,000	1,000	16,105	15,105
Unrestricted intergovernmental	1,148,500	1,148,500	1,204,374	55,874
Restricted intergovernmental	115,500	227,355	181,960	(45,395)
Permits and fees	25,815	25,815	24,880	(935)
Sales and services	1,708,047	1,954,800	1,397,455	(557,345)
Investment earnings	80,000	80,000	1,102	(78,898)
Miscellaneous	102,718	123,015	128,463	5,448
Total revenues	<u>4,971,380</u>	<u>5,350,285</u>	<u>4,738,732</u>	<u>(611,553)</u>
Expenditures:				
Current:				
General government	1,397,268	1,550,699	1,084,519	466,180
Economic Development	40,000	40,000	40,000	-
Public safety	2,167,242	2,426,268	2,357,306	68,962
Transportation	619,054	701,782	623,791	77,991
Environmental protection	561,500	582,500	551,765	30,735
Cultural and recreation	61,550	64,050	35,921	28,129
Debt service	278,811	477,042	350,418	126,624
Total expenditures	<u>5,125,425</u>	<u>5,842,341</u>	<u>5,043,720</u>	<u>798,621</u>
Revenues over (under) expenditures	<u>(154,045)</u>	<u>(492,056)</u>	<u>(304,988)</u>	<u>187,068</u>
Other financing sources (uses):				
Transfers to other funds	(16,667)	(147,322)	(147,322)	-
Fund Balance Appropriated	170,712	578,729	-	(578,729)
Total other financing sources (uses)	<u>154,045</u>	<u>492,056</u>	<u>(70,005)</u>	<u>(562,061)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	(374,993)	\$ <u>(374,993)</u>
Fund Balance, Beginning as Previously Reported			2,938,561	
Prior Period Adjustment (Note 8)			<u>(310,820)</u>	
Fund Balance, Beginning as Restated			2,627,741	
Fund balances, ending			<u>\$ 2,252,748</u>	

Town of Elizabethtown, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2021

Exhibit 6

Assets	
Current assets:	
Cash and cash equivalents	\$ 2,338,569
Restricted cash	183,740
Accounts receivable (net) - billed	84,976
Accounts receivable (net) - unbilled	137,805
Restricted accounts receivable	72,074
Due from other funds	548,401
Inventories	<u>27,735</u>
Total Current Assets	<u>3,393,300</u>
Non-Current Assets:	
Due from other funds	282,609
Capital Assets:	
Land, non-depreciable improvements and construction in progress	1,395,098
Other capital assets, net of depreciation	<u>12,053,748</u>
Total Capital Assets	<u>13,448,846</u>
Total Assets	<u>17,124,755</u>
Deferred Outflows of Resources:	<u>84,330</u>
Liabilities	
Current liabilities:	
Accounts payable and Accrued Liabilities	17,605
Liabilities payable from restricted assets	
Accounts payable	43,763
Customer deposits	183,740
Accrued Vacation - Current	8,454
Current Portion of Long Term Debt	<u>69,195</u>
Total Current Assets	<u>322,757</u>
Noncurrent liabilities:	
Net Pension Liability	160,761
Long Term Debt	831,017
Accrued Vacation	<u>5,720</u>
Total Noncurrent Liabilities	<u>997,498</u>
Total liabilities	<u>1,320,255</u>
Deferred Inflows of Resources	6,677
Net Position	
Net investment in capital assets	12,548,634
Unrestricted	<u>3,333,519</u>
Total Net Position	<u>\$ 15,882,153</u>

Town of Elizabethtown, North Carolina
Statements of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

Exhibit 7

Operating revenues:	
Water Sales	\$ 732,912
County Water	214
Sewer Charges	808,161
Industrial Sewer	268
Grease Trap Fees	47,323
Water and Sewer Taps	19,169
Reconnection Fee	85,410
Miscellaneous	132,143
Total Operating Revenue	<u>1,825,600</u>
Operating expenses:	
Water Department	
Salaries	341,633
Employee Benefits	69,434
Operating Expenses	288,405
Depreciation	312,110
Total Operating Expenses	<u>1,011,582</u>
Sewer Department	
Salaries	303,063
Employee Benefits	47,523
Operating Expenses	270,288
Depreciation	312,110
Total	<u>932,984</u>
Operating income (Loss)	<u>(118,966)</u>
Nonoperating revenues (expenses):	
Sale of Fixed Assets	(12,380)
Mapping Grant Expenses	(118,219)
Interest and Fees	(27,238)
Total nonoperating revenues (expenses)	<u>(157,837)</u>
Income Before Contributions and Transfers	(276,803)
Capital Contributions - Grant	<u>164,129</u>
Change in Net Position	(112,674)
Net position - Beginning	15,994,827
Total Net Position, Ending	<u>\$ 15,882,153</u>

Town of Elizabethtown, North Carolina
Statement of Cash Flows
Proprietary Fund
For The Fiscal Year Ended June 30, 2021

Exhibit 8

Cash flows from operating activities:	
Cash received from customers	\$ 1,810,874
Cash paid for goods and services	(785,163)
Cash paid to employees for services	(641,650)
Customer deposits received	8,895
Net cash provided by operating activities	<u>392,956</u>
Cash flows from noncapital financing activities:	
Change in due from other funds	470,798
Net cash flows from noncapital financing activities:	<u>470,798</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(864,892)
Proceeds from sale of assets	4,848
Debt reduction	(69,195)
Interest paid	(27,238)
Capital Contributions - Grants	205,684
Net cash used by capital and related financing activities	<u>(750,793)</u>
Net decrease in cash and cash equivalents	112,961
Cash and cash equivalents:	
Beginning	2,409,348
Ending	\$ <u><u>2,522,309</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ <u>(118,966)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	624,220
Mapping Grant Expenses	(118,219)
Changes in assets and liabilities:	
(Increase)/Decrease in accounts receivable	(14,726)
(Increase)/Decrease in deferred outflows of resources-pensions	209
Increase/(Decrease) in net pension liability	13,411
Increase/(Decrease) in deferred inflows of resources-pensions	12
Increase/Decrease) in accounts payable and accrued liabilities	(4,926)
Increase/Decrease) in customer deposits	8,895
Increase/Decrease) in accrued vacation pay	3,046
Total adjustments	<u>511,922</u>
Net cash provided by operating activities	\$ <u><u>392,956</u></u>

TOWN OF ELIZABETHTOWN, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Elizabethtown and its discretely presented component units conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Elizabethtown is a municipal corporation that is governed by an elected mayor and a six-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component units, legally separate entities for which the Town is financially accountable. The discretely presented component units presented below are reported in separate columns in the Town's financial statements in order to emphasize that they are legally separate from the Town.

Town of Elizabethtown ABC Board

The members of the ABC Board's governing board are appointed by the Town. In addition, the ABC Board is required by State statute to distribute its surpluses to the General Fund of the Town. The ABC Board, which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for the ABC Board may be obtained from the entity's administrative offices at Town of Elizabethtown ABC Board, Highway 87 West, Elizabethtown, NC 28337.

Elizabethtown Airport Economic Development Commission (Airport)

Seven of the nine board members of the Elizabethtown Airport/Economic Development Commission are appointed by the Town, with two being appointed by the County of Bladen. Primary support is provided by the Town along with a lesser support from the County. The Airport's year-end is June 30 and is included as a component unit of the Town. Complete financial statements for the Airport may be reviewed at the Town of Elizabethtown's administrative office.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category - *governmental and proprietary* - are presented. The Town has no fiduciary funds to report. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

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

Greene's Lake Capital Project Fund - This fund is used to account for funds to be used for the improvement of the recently acquired Greene's Lake property in the industrial park.

Fire and Rescue Department Building Capital Project Fund - This fund is used to account for grant proceeds for the construction of the Fire and Rescue Building.

Elizabethtown Cemetery Capital Project Fund - This fund is used to account for expenses and FEMA reimbursements for the cemetery after damage from Hurricane Florence was sustained.

Airport Capital Projects Fund - This fund is used to account for capital projects associated with the airport.

The Town reports the following non-major governmental funds:

CDBG Client Repayment Fund - This fund is used to account for payments to the Town from citizens who received improvements to their property from CDBG grant projects.

The Town reports the following major enterprise funds:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. Water and Sewer Capital Project Funds has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the Water and Sewer Capital Projects Fund has been included in the supplemental information.

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, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

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

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

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

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 and Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Special Revenue and Capital Projects 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 multi-year funds. The Town Manager is authorized to transfer appropriations within a fund up to \$5,000; however, any revisions that alter the total expenditures of any fund or exceed \$5,000 must be approved by the governing board. During the year, several amendments to the original budget were necessary, the effects of which were not material. A budget calendar is included in the North Carolina General Statutes which prescribes the last day on which certain steps of that budget procedure are to be performed. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town, the ABC Board and the Elizabethtown Airport/Economic Development Commission 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, the ABC Board's and the Commission's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town has invested in securities which are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reportable at fair value as determined by quoted market prices.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents. The ABC Board and the Airport/Economic Development Commission consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash and cash equivalents.

Restricted Assets

Powell Bill funds are classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4. Collections from local homeowners that benefited from a CDBG project are held in that fund for future CDBG projects.

The unexpended amounts in capital projects are classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose for which the capital projects were established and may have grant restrictions as to the local match. Portions of grants that have been requested for reimbursement and not yet received are reported as restricted as well as any payables for the grant project.

Town of Elizabethtown Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 663,116
Resiliency Grant Funds	243,708
CDBG Client Repayment Fund	
Economic and physical development	30,232
Total Governmental Activities	<u>937,056</u>
Business Type Activities	
Water and Sewer Fund	
Customer Deposits	183,740
Total Business Type Activities	<u>183,740</u>
Total Restricted Cash	\$ <u>1,120,796</u>

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. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

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.

Inventory and Prepaid Items

The inventories of the Town, Airport and ABC Board are valued at cost (first-in, first-out), which approximates market. The inventory of the Town's Enterprise Fund, Airport and ABC Board consist of materials and supplies held for consumption. The cost of these inventories is recorded as an expense as it is consumed.

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

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, \$5,000; buildings, improvements, substations, lines, and other plant and distribution systems, \$5,000; infrastructure, \$5,000; furniture and equipment, \$5,000; and vehicles, \$5,000. 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 Years
Infrastructure	30 Years
Motor Vehicles	5 Years
Equipment	7 Years
Plant Assets	50 Years

Property, plant, and equipment of the ABC Board and Airport are depreciated over their useful lives on a straight-line basis as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 Years
Furniture	5-6 Years
Equipment	10 Years
Land Improvements	10 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets this criterion, pension deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. 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 two items that meet the criterion for this category - property taxes receivable and pension deferrals for the 2021 fiscal year.

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.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

Compensated Absences

The vacation policies of the Town and the ABC Board provide for the accumulation of up to thirty (30) days earned vacation leave with such leave being fully vested when earned. For the Town's governments-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The current portion of the accumulated vacation pay is not considered to be material; therefore, no expenditure or liability has been reported in the governmental-wide or proprietary funds.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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 five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

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

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

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

Restricted for Streets – Represents both Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures and funds restricted for use in the Downtown Revitalization project. This amount represents the balance of the total unexpended Powell Bill funds and funds received for the Downtown Revitalization project.

Reserve for Debt Reserve – The amount USDA requires restricted for debt payments as described in the loan document.

Restricted for Economic and Physical Development – portion of fund balance that is restricted for future CDBG projects.

Restricted for Administration – portion of fund balance that is restricted for future administration cost as required by grant funds that were received.

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

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

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

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 Elizabethtown adheres to the North Carolina Local Government Commission's recommendation of a minimum fund balance for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance does not go below eight percent of budgeted expenditures. Any portion of the general fund balance in excess of 8% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Elizabethtown's employer contributions are recognized when due and the Town of Elizabethtown has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

NOTE 2: Stewardship, Compliance and Accountability

Significant Violations of Finance-Related Legal and Contractual Provisions

None.

Deficit in Fund Balance or Net Position of Individual Funds

The Greene's Lake and Fire & Rescue Department Building Capital Project Funds had deficit fund balances due to the fact that the Town currently has not funded the matching portion. The amounts have been approved by board resolution and will be funded later in the project. Management is planning to fund the local portion once the projects are complete.

Excess of Expenditures over Appropriations

None.

Timeliness of Audit

The audit report was issued 3 months after the required due date of October 31, 2021. The Town needed additional time to prepare and review items related to account policies and procedures. This delayed the audit from being completed. Management is in the process of evaluating policies and procedures and expect this to be completed and not affect future audits.

NOTE 3: Detail Notes on All Funds and Account Groups

A. Assets

Deposits

All of the deposits of the Town, the ABC Board and the Airport 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, the ABC Board's and the Airport's agent(s) in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, the ABC Board and the Airport, these deposits are considered to be held by their agents in the entity's name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town, the ABC Board and the Airport, or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the Town, the ABC Board and the Airport under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured. The ABC Board and Airport have no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$997,966 and a bank balance of \$1,331,287. Of the bank balance, all was covered by federal depository insurance. The carrying amount of deposits for the ABC Board was \$619,299 and the bank balance was \$665,778. All of the bank balance was covered by federal depository insurance. The carrying amount of deposits for the Airport was \$141,020 and the bank balance was \$142,020. All of the bank balances were covered by federal depository insurance. At June 30, 2021 the Town's petty cash fund totaled \$250 and the ABC Board's was \$1,000.

Town of Elizabethtown
Notes to the Financial Statements

Investments

At June 30, 2021 the Town had \$3,360,045 invested in the North Carolina Capital Management Trust Government Portfolio which carried a credit rating of AAAM by Standard and Poor's and AAAM-mf by Moody's Investors Service. The Town had no policy regarding credit risk of its investments.

Receivables – Allowance for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	2021
General Fund	
Taxes Receivable	\$ 64,000
Accounts Receivable	22,049
Total	86,049
Enterprise Funds:	55,995
Total	<u>\$ 142,044</u>

Capital Assets

Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Governmental Activities:					
Capital Assets not Being Depreciated:					
Land	\$ 1,301,852	\$ 54,911	\$ -	\$ 229,394	\$ 1,586,157
Construction in Progress	620,315	2,110,483	-	248,072	2,978,870
Total Capital Assets not Being Depreciated:	<u>1,922,167</u>	<u>2,165,394</u>	<u>-</u>	<u>477,466</u>	<u>4,565,027</u>
Capital Assets Being Depreciated:					
Buildings	11,056,337	77,700	-	(636,153)	10,497,884
Infrastructure	10,838,503	16,500	-	-	10,855,003
Equipment	1,600,851	-	(1,976)	(96,923)	1,501,952
Vehicles	2,388,528	104,846	(69,753)	-	2,423,621
Total Capital Assets Being Depreciated:	<u>25,884,219</u>	<u>199,046</u>	<u>(71,729)</u>	<u>(733,076)</u>	<u>25,278,460</u>
Less Accumulated Depreciation					
Buildings	3,112,122	267,004	-	(195,534)	3,183,592
Infrastructure	2,723,420	492,159	-	-	3,215,579
Equipment	1,347,902	131,882	(1,976)	(96,651)	1,381,157
Vehicles	1,912,849	172,786	(52,442)	-	2,033,193
Total Accumulated Depreciation	<u>9,096,293</u>	<u>\$ 1,063,831</u>	<u>\$ (54,418)</u>	<u>\$ (292,185)</u>	<u>9,813,521</u>
Total Capital Assets Being Depreciated, net	<u>16,787,926</u>				<u>15,464,939</u>
Governmental Activity Capital Assets, net	<u>\$ 18,710,093</u>				<u>\$ 20,029,966</u>

Adjust to land of \$229,394 is to record a seller financed purchase of land in 2019-2020 that was not added in that year.

Adjust to CIP of \$248,072 is the cumulative cost of the cemetery project through 6/30/2020. Once it was determined to be the actual completion of the retaining wall, all cost previously reported as repairs are being shown as CIP until completion.

Town of Elizabethtown
Notes to the Financial Statements

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

General Government	\$ 78,259
Public Safety	354,611
Transportation	203,213
Recreation	93,414
Economic Development	334,334
Total Depreciation Expense	<u>\$ 1,063,831</u>

	Beginning Balances	Increases	Decreases	Adjustments	Ending Balances
Business-type Activities:					
Water and Sewer Fund					
Capital Assets not Being Depreciated:					
Land	\$ 600,351	\$ 649,668	\$ -	\$ -	\$ 1,250,019
Construction in Progress	45,822	99,257	-	-	145,079
Total Capital Assets not Being Depreciated:	<u>646,173</u>	<u>748,925</u>	<u>-</u>	<u>-</u>	<u>1,395,098</u>
Capital Assets Being Depreciated:					
Buildings	200,190	-	(2,358)	636,153	833,985
Plant and Distribution	23,479,961	122,264	(46,091)	-	23,556,134
Equipment	1,046,597	28,074	(82,414)	96,923	1,089,180
Total Capital Assets Being Depreciated:	<u>24,726,748</u>	<u>150,338</u>	<u>(130,863)</u>	<u>733,076</u>	<u>25,479,299</u>
Less Accumulated Depreciation					
Buildings	200,190	-	(1,152)	195,534	394,572
Plant and Distribution	11,192,569	585,295	(32,393)	-	11,745,471
Equipment	789,131	38,925	(80,090)	96,651	844,617
Total Accumulated Depreciation	<u>12,181,890</u>	<u>\$ 624,220</u>	<u>\$ (113,635)</u>	<u>\$ 292,185</u>	<u>12,984,660</u>
Total Capital Assets Being Depreciated, net	<u>12,544,858</u>				<u>12,494,639</u>
Water and Sewer Fund Capital Assets, Net	<u>\$ 13,191,031</u>				<u>\$ 13,889,737</u>

Discretely Presented Component Units:

Activity for the ABC Board for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Land	\$ 34,626	\$ -	\$ -	\$ 34,626
Total Capital Assets not Being Depreciated:	<u>34,626</u>	<u>-</u>	<u>-</u>	<u>34,626</u>
Capital Assets Being Depreciated:				
Buildings	212,626	-	-	212,626
Other Improvements	8,526	-	-	8,526
Equipment	85,808	-	-	85,808
Total Capital Assets Being Depreciated:	<u>306,960</u>	<u>-</u>	<u>-</u>	<u>306,960</u>
Less Accumulated Depreciation				
Buildings	100,732	4,455	-	105,187
Other Improvements	7,048	188	-	7,236
Equipment	79,979	944	-	80,923
Total Accumulated Depreciation	<u>187,759</u>	<u>\$ 5,587</u>	<u>\$ -</u>	<u>193,346</u>
Total Capital Assets Being Depreciated, net	<u>119,201</u>			<u>113,614</u>
ABC Capital Assets, net	<u>\$ 153,827</u>			<u>\$ 148,240</u>

Activity for the Airport for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Being Depreciated:				
Buildings	\$ 56,003	\$ -	\$ -	\$ 56,003
Equipment	319,541	21,000	-	340,541
Total Capital Assets Being Depreciated:	<u>375,544</u>	<u>21,000</u>	<u>-</u>	<u>396,544</u>
Less Accumulated Depreciation				
Buildings	56,003	-	-	56,003
Equipment	222,673	19,144	-	241,817
Total Accumulated Depreciation	<u>278,676</u>	<u>\$ 19,144</u>	<u>\$ -</u>	<u>297,820</u>
Total Capital Assets Being Depreciated, net	<u>96,868</u>			<u>98,724</u>
Airport Capital Assets, net	<u>\$ 96,868</u>			<u>\$ 98,724</u>

B. Liabilities

Pension Plan Obligations

1. Local Governmental Employees' Retirement System

Plan Description. The Town of Elizabethtown is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

Benefits Provided. LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Elizabethtown employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elizabethtown's contractually required contribution rate for the year ended June 30, 2021, was 10.84% of compensation for law enforcement officers and 10.24% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Elizabethtown were \$243,647 for the year ended June 30, 2021.

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

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

At June 30, 2021, the Town reported a liability of \$1,339,677 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020 (measurement date), the Town's proportion was 0.03749%, which was a decrease of 0.00105% from its proportion measured as of June 30, 2019.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 169,178	\$ -
Changes of assumptions	99,698	-
Net difference between projected and actual earnings on pension plan investments	188,523	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,700	55,640
Town contributions subsequent to the measurement date	243,647	-
Total	<u>\$ 702,746</u>	<u>\$ 55,640</u>

\$243,647 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$	110,846
2023		151,829
2024		84,992
2025		55,792
2026		-
Thereafter		-
	\$	<u>403,459</u>

Actuarial Assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

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

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

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

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability	\$ 2,718,059	\$ 1,339,677	\$ 194,145

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

2. Law Enforcement Officers Special Separation Allowance

Plan Description. The Town of Elizabethtown administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provision to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	-
Active plan members	<u>16</u>
Total	<u>17</u>

Summary of Significant Accounting Policies

Basis of Accounting. The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statement 73.

Actuarial Assumptions

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	1.93 percent
Projected salary increases	3.25-7.75%
Inflation	2.50 percent
Cost of living adjustments	N/A

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the benefit payments on a pay as you go basis through appropriations made in the General Fund operating budget. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. There were no contributions made by employees. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$12,180 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$442,519. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$35,386.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,197
Changes of assumptions and other inputs	118,563	12,130
Benefit payments and administrative expenses made subsequent to the measurement date.	12,180	-
Total	<u>\$ 130,743</u>	<u>\$ 81,327</u>

\$12,180 paid as benefits came due and \$0 of administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2022	\$ (414)
2023	(46)
2024	1,966
2025	9,008
2026	15,190
Thereafter	<u>11,532</u>
	<u>\$ 37,236</u>

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (.93%)	Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 495,058	\$ 442,519	\$ 395,578

**Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance**

	2021
Beginning balance	\$ 336,078
Service Cost	25,291
Interest on the total pension liability	10,509
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(18,430)
Changes of assumptions or other inputs	116,488
Benefit payments	(27,417)
Other changes	-
Ending balance of the total pension liability	\$ 442,519

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

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

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

Following is information related to the proportionate share and pension expense for all pension plans:

	LGERS	LEOSSA	Total
Pension Expense	\$ 439,966	\$ 35,386	\$ 475,352
Pension Liability	1,339,677	442,519	1,782,196
Proportionate share of the net pension liability	0.03749%	N/A	

Deferred of Outflows of Resources

Differences between expected and actual experience	169,178	-	169,178
Changes of assumptions	99,698	118,563	218,261
Net difference between projected and actual earnings on plan investments	188,523	-	188,523
Changes in proportion and differences between contributions and proportionate share of contributions	1,700	-	1,700
Benefit payments and administrative costs paid subsequent to the measurement date	243,647	12,180	255,827

Deferred of Inflows of Resources

Differences between expected and actual experience	-	69,197	69,197
Changes of assumptions	-	12,130	12,130
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	55,640	-	55,640

3. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2021 were \$52,368, which consisted of \$36,645 from the Town and \$15,723 from the law enforcement officers. The Town also provides for all other employees the same plan with a 3% Town contribution rate. Contributions for the year ended June 30, 2021 were \$93,874, which consisted of \$46,846 from the Town and \$47,028 from the employees.

Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

Deferred Outflows/Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 243,647
Benefit payments made and administrative expenses for LEOSSA	12,180
Differences between expected and actual experience	169,178
Changes of assumptions	218,261
Net difference between projected and actual earnings on pension plan investments	188,523
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,700
Total	\$ <u>833,489</u>

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 10,343	\$ 10,343
Taxes Receivable (General Fund)	-	135,713
Differences between expected and actual experience	69,197	-
Changes of assumptions	12,130	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	55,640	-
Total	\$ <u>147,310</u>	\$ <u>146,056</u>

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in two self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy and workers' compensation coverage up to statutory limits. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. 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. Health insurance coverage is provided to qualifying employees from private insurers.

The Town and the Airport carry 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 commercial insurance coverage in any of the past three fiscal years. The Town does not carry flood insurance on any property due to all properties being located out of the flood plain.

The Town of Elizabethtown's ABC Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The ABC Board has

property, general liability, auto liability, workers' compensation, and employee health coverages. The ABC Board also has liquor legal liability coverage. 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 years. In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Town has a \$50,000 fidelity bond on the finance officer, \$10,000 on the tax collector, and a blanket bond for \$10,000 on other employees.

Claims, Judgments and Contingent Liabilities

There are no pending monetary suits against the Town as of June 30, 2021.

Long-Term Obligations

Notes Payable

General Fund

1. Notes Payable – USDA dated July 2010 for the direct placement contract to finance the downtown street renovations. The property is pledged as collateral for the debt while the debt is outstanding. Requires 40 annual payments of \$32,845 including interest at 4.0%. Outstanding balance at year-end was \$537,768. Final payment expected in July 2050.
2. Notes Payable – USDA dated June 2010 for the direct placement contract to finance farmers market renovations. Requires 40 annual payments of \$23,275 including interest at 3.375%. Outstanding balance at year-end was \$443,066. Final payment expected in April 2051.
3. Notes Payable – USDA dated May 1, 2015 for the direct placement contract to finance the fire department renovations. Requires 30 annual payments of \$14,655 including interest at 4.0%. Outstanding balance at year-end was \$217,668. Final payment expected in May 2044.
4. USDA agreement for Downtown Revitalization dated August 7, 2017 requires interest payments at 2.3750% with annual installments of \$62,833 for 40 years. Principal balance at year-end was \$1,585,410. Final payment expected in August 2058.
5. First Bank dated August 9, 2017 for the direct placement contract to purchase a Grapple Truck that is payable in 60 monthly payments of \$2,481 with interest at 2.275%. The property is pledged as collateral for the debt while the debt is outstanding. Principle balance at year-end was \$34,126. Final payment expected in September 2022.
6. Mary Green dated September 12, 2019 for the direct borrowing contract to purchase land that is payable in eleven annual payments of \$20,000 and one final payment of \$9,394 due January 1, 2037. No interest is stated in note. Outstanding balance at year end was \$229,394. Final payment expected in January 2037.
7. Four County Electric Membership Corporation dated July 28, 2016 for the direct borrowing contract to purchase a fire truck that is payable in forty quarterly payments of \$7,500 with interest at 0%. Principal balance at year-end was \$150,000. The property is pledged as collateral for the debt while the debt is outstanding. Final payment is expected in July 2026.
8. Trico dated December 1, 2017 for the direct borrowing contract to purchase land that is payable in 10 annual payments of \$38,546 with interest at 1.5%. The property is pledged as collateral for the debt while the debt is outstanding. Principle balance at year-end was \$288,316. Final payment expected in December 2028.

Town of Elizabethtown
Notes to the Financial Statements

9. Four County Electric Membership Corporation \$300,000 dated December 7, 2018 for the direct borrowing contract to purchase of a fire truck that is payable in forty quarterly payments of \$7,500 with interest at 0%. Principal balance at year-end was \$225,000. The property is pledged as collateral for the debt while the debt is outstanding. Final payment is expected in December 2027.
10. Local Government Federal Credit Union dated November 24, 2020 for the direct borrowing contract to purchase fire equipment that is payable in five annual payments of \$33,209 with interest at 2.75%. Principal balance at year-end was \$153,388. The property is pledged as collateral for the debt while the debt is outstanding. Final payment is expected November 2025.

Water Fund

11. Notes Payable – NC Drinking Water State Revolving Fund dated August 2, 2011 for the direct borrowing contract to finance the automated meter reading project is secured with collateral of the system. Requires 15 annual payments of \$19,671 including interest at 0.0%. Outstanding balance at year-end was \$157,370. Final payment expected in May 2029.
12. Notes Payable – NC Clean Water Revolving Loan dated February 11, 2016 for the direct borrowing contract to finance the sanitary sewer project is secured with collateral of the system. Total loan is \$1,412,138 with a \$397,820 principal forgiveness at end of project. Requires 20 annual payments of \$49,523 including interest of 0.0%. Outstanding balance at year-end was \$742,842. Final payment expected May 2037.

The future minimum payments as of June 30, 2021 are as follows:

Year Ending 30-Jun	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2022	303,492	91,643	69,195	-
2023	281,680	88,517	69,195	-
2024	209,212	85,791	69,195	-
2025	182,857	82,760	69,195	-
2026	260,995	79,635	69,195	-
2027-2031	426,748	357,464	306,624	-
2032-2036	367,377	305,848	247,613	-
2037-2041	429,370	240,892	-	-
2042-2046	472,415	168,282	-	-
2047-2051	427,207	95,510	-	-
2052-2056	266,707	46,127	-	-
2057-2061	236,076	15,581	-	-
Total	\$ 3,864,136	\$ 1,658,050	\$ 900,212	\$ -

At June 30, 2021, Town of Elizabethtown had a legal debt margin of \$18,745,191.

Changes in Long-Term Obligations

The following is a summary of changes in the Town's long-term debt for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental Activities:					
Direct Placement Installment					
Purchase	\$ 2,896,995	\$ 153,388	\$ (216,146)	\$ 2,834,237	\$ 139,271
Direct Borrowing Note Payable *	1,083,266	-	(53,367)	1,029,899	164,221
Compensated Abscenses	174,402	83,560	(95,519)	162,443	95,519
Total Pension - LEO	336,078	106,441	-	442,519	-
Net Pension Liabilities (LGERS)	905,147	273,769	-	1,178,916	-
Total Governmental Activities	\$ <u>5,395,888</u>	\$ <u>617,158</u>	\$ <u>(365,032)</u>	\$ <u>5,648,014</u>	\$ <u>399,011</u>
Business-Type Activities:					
Water and Sewer Fund:					
Direct Borrowing Note Payable	\$ 969,407	\$ -	\$ (69,195)	\$ 900,212	\$ 69,195
Capitalized Leases	-	-	-	-	-
Compensated Abscenses	11,128	11,500	(8,454)	14,174	8,454
Net Pension Liabilities (LGERS)	147,350	13,411	-	160,761	-
Total Water and Sewer Fund	\$ <u>1,127,885</u>	\$ <u>24,911</u>	\$ <u>(77,649)</u>	\$ <u>1,075,147</u>	\$ <u>77,649</u>

* - Beginning balance has increased by \$229,394 as result of a prior period adjustment.

C. Interfund Balances and Activity

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

Receivable Fund	Payable Fund	Amount	Short-Term	Long-Term
General Fund	Airport CPF	\$ 5,000	\$ 5,000	\$ -
Water Fund	Greene's Lake Capital Project	512,000	512,000	-
Water Fund	Fire & Rescue Dept Bldg Capital Project	314,010	31,401	282,609
	Total	\$ <u>831,010</u>	\$ <u>548,401</u>	\$ <u>282,609</u>

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount	Short-Term	Long-Term
Primary government -	Component unit -			
General Fund	Elizabethtown Airport & EDC	\$ 2,620	\$ 2,620	\$ -
General Fund	Elizabethtown ABC Board	28,317	28,317	-
	Total	\$ <u>30,937</u>	\$ <u>30,937</u>	\$ <u>-</u>

The Water & Sewer Fund loaned the Airport Capital Projects \$5,000 for supplemental cash flow purposes and expects repayment in the subsequent year. Other loans from the Water & Sewer Fund in the amounts of \$314,010 to the Fire & Rescue Building and \$512,000 Greene's Lake Capital Projects funded during the projects. The Fire & Rescue Building loan will be repaid by the General Fund after the project has closed out over the next ten years in equal payments. The Greene's Lake Capital Projects will repaid in the subsequent period upon collection of grant reimbursements.

Town of Elizabethtown
Notes to the Financial Statements

Transfers to/from Funds at June 30, 2021, consist of the following:

The below transfers between the General Fund and capital projects were to fund local matches:

Greene's Lake Project	\$ 147,322
Projects	<u>76,071</u>
	<u>\$ 223,393</u>

The below transfers between the Water and Sewer Fund and capital projects were to fund future water tank maintenance.

Capital Reserve Fund	\$ 44,052
Intergrated Water/Sewer Map	15,000
Industrial Park Project	<u>46,185</u>
	<u>\$ 105,237</u>

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	\$ 2,252,748
Less:	
Stabilization by State Statute	667,950
Administration	243,708
Streets - Powell Bill	663,116
Debt Reserve	71,870
Appropriated Fund Balance in 2022 Budget	167,569
Remaining Fund Balance	<u>438,535</u>

NOTE 4: 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 monies 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 monies.

NOTE 5: Commitments

The Town is under obligation to meet the local match for several capital projects as required by the grantor agency. See the capital project ordinances for each project in the schedules that follow.

NOTE 6: **Related Organization**

Town of Elizabethtown Housing Authority

The Town of Elizabethtown Housing Authority operates within the Town's geographical boundaries, exists for the benefit of its residents, and is managed by a town appointed governing board. However, the Town does not approve the Authority's budget and does not select its management. Also, the Town does not finance any of the Authority's deficits and is not entitled to any surpluses.

NOTE 7: **Subsequent Events**

Management has evaluated subsequent events through January 24, 2022, the date which the financial statements were available for issue.

NOTE 8: **Restatement**

The Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund reports a restatement amount of \$310,820 decreasing beginning fund balance. This is to correct the dollar amount of accounts receivable and FEMA revenue reported in the 2019-2020 financial statement based the reduction of anticipated reimbursements.

The Statement of Activities for Governmental Activities reports a restatement amount of \$62,748 decreasing Net Position. This is the net amount of two restatements, first being a \$310,820 decrease to beginning Net Position as described above and the second being a \$248,072 increase to Net Position for the recharacterization of disbursements in the Cemetery Capital Projects Fund. Previous disbursements were expensed as operating expenditures, however with project being fully funded is restated to included as construction in progress.

In addition to the above with no effect on Net Position, Government Activities fixed assets and long term debt have been adjusted to reflect \$229,394 in a 2019-2020 land purchase that was done with seller financing arrangements.

Required Supplementary Financial Data

The section contains additional information required by the generally accepted accounting principles.

Schedule of Proportionate Share of Net Pension Liability (Asset) Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

Schedule of Changes in Total Pension Liability

Town of Elizabethtown, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Eight Fiscal Years *

	Local Government Employees' Retirement System							
	2021	2020	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.03749%	0.03854%	0.04037%	0.03978%	0.03601%	0.03686%	0.03705%	0.04070%
Town's proportion of the net pension liability (asset) (\$)	\$ 1,339,677	\$ 1,052,497	\$ 957,714	\$ 607,728	\$ 764,253	\$ 165,426	\$ (218,500)	\$ 490,591
Town's covered-employee payroll	\$ 2,414,090	\$ 2,313,787	\$ 2,250,952	\$ 2,143,763	\$ 1,926,785	\$ 1,908,817	\$ 1,827,479	\$ 1,866,135
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.49%	45.49%	42.55%	28.35%	39.66%	8.67%	(11.96%)	26.29%
Plan fiduciary net position as a percentage of the total pension liability**	88.61%	90.86%	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

** This will be the same percentage for all participant employers in the LGERS plan.

Town of Elizabethtown, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Eight Fiscal Years

Local Government Employees' Retirement System								
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 243,647	\$ 223,023	\$ 186,685	\$ 174,717	\$ 162,559	\$ 133,015	\$ 135,898	\$ 130,462
Contributions in relation to the contractually required contribution	243,647	223,023	186,685	174,717	162,559	133,015	135,898	130,462
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 2,335,908	\$ 2,414,090	\$ 2,313,787	\$ 2,250,952	\$ 2,143,763	\$ 1,926,785	\$ 1,908,817	\$ 1,827,479
Contributions as a percentage of covered-employee payroll	10.43%	9.24%	8.07%	7.76%	7.58%	6.90%	7.05%	6.99%

Town of Elizabethtown, North Carolina
Schedule of Changes in Total Pension Liability
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Beginning balance	\$ 336,078	\$ 318,831	\$ 357,953	\$ 404,397	\$ 413,662
Service Cost	25,291	24,097	23,156	17,848	22,678
Interest on the total pension liability	10,509	11,125	10,894	15,100	14,159
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(18,430)	(4,795)	(31,155)	(76,250)	-
Changes of assumptions or other inputs	116,488	13,222	(15,615)	23,260	(11,980)
Benefit payments	(27,417)	(26,402)	(26,402)	(26,402)	(34,122)
Other changes	-	-	-	-	-
Ending balance of the total pension liability	\$ 442,519	\$ 336,078	\$ 318,831	\$ 357,953	\$ 404,397

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

Town of Elizabethtown, North Carolina
Schedule of Total Pension Liability as a Percentage of Covered Payroll
Law Enforcement Officers' Special Separation Allowance
June 30, 2021

	2021	2020	2019	2018	2017
Total pension liability	442,519	336,078	318,831	357,953	404,397
Covered payroll	741,744	750,838	777,337	697,749	709,275
Total pension liability as a percentage of covered payroll	59.66%	44.76%	41.02%	51.30%	57.02%

Notes to the schedules:

The Town of Elizabethtown has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

Individual Fund Schedules and Statements

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Tax Collections	\$	\$ 1,768,697	\$
Penalties and interest		15,696	
Total	<u>1,789,800</u>	<u>1,784,393</u>	<u>(5,407)</u>
Other taxes and licenses:			
Motor Vehicle License		16,105	
Total	<u>1,000</u>	<u>16,105</u>	<u>15,105</u>
Unrestricted intergovernmental:			
Local option sales taxes		779,394	
Beer and Wine Tax		14,217	
Utility Sales Tax		251,925	
Telecommunications Tax		24,910	
Video Programming Distribution		27,355	
Payments in Lieu of Taxes		1,573	
ABC Store Profit Distribution		105,000	
Total	<u>1,148,500</u>	<u>1,204,374</u>	<u>55,874</u>
Restricted intergovernmental:			
Powell Bill Allocation		99,463	
ABC Law Enforcement		12,845	
Solid Waste Disposal		3,167	
Seizure Funds		952	
CARES		59,000	
FEMA Reimbursements		6,533	
Total	<u>227,355</u>	<u>181,960</u>	<u>(45,395)</u>
Permits and fees:			
Fire Code Fees		9,125	
Business Registration Fees		3,975	
Beer Licenses		425	
Recreation Fees		2,850	
Zoning Permits and Fines		8,505	
Total	<u>25,815</u>	<u>24,880</u>	<u>(935)</u>
Sales and services:			
Bladen Fire District		219,920	
Rent of Buildings		42,653	
Reimbursements		7,939	
Administrative Reimbursement		80,027	
Garbage Collection Fees		1,042,406	
Donations and Festivals		3,500	
Court Cost & Fines		1,010	
Total Sales and Services	<u>1,954,800</u>	<u>1,397,455</u>	<u>(557,345)</u>

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

	Budget	Actual	Variance Positive (Negative)
Investment earnings:			
Powell Bill		136	
Regular		966	
Total Other Revenues	80,000	1,102	(78,898)
Other Revenues:			
Sales of Cemetery Plots		7,970	
Sales of Surplus Property		5,277	
Miscellaneous		115,216	
Total Other Revenues	123,015	128,463	5,448
Total Revenues	5,350,285	4,738,732	(611,553)
Expenditures:			
General government:			
Governing body:			
Salaries		19,910	
Employee Benefits		2,296	
Insurance and Bonds		3,400	
Operating Expenses		6,990	
Total	37,251	32,596	4,655
Administration:			
Salaries		262,039	
Employee Benefits		62,744	
Operating Expenses		62,679	
Capital outlay		28,231	
Total	622,275	415,693	206,582
Finance:			
Salaries		98,238	
Employee Benefits		31,391	
Operating Expenses		31,176	
Capital outlay		-	
Total	348,628	160,805	187,823
Planning:			
Salaries		44,558	
Employee Benefits		12,270	
Operating Expenses		529	
Capital outlay		-	
Total	61,388	57,357	4,031
Code Enforcement:			
Salaries		38,411	
Employee Benefits		10,506	
Operating Expenses		23,240	
Capital outlay		-	
Total	156,930	72,157	84,773

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

	Budget	Actual	Variance Positive (Negative)
Public Services:			
Salaries		101,081	
Employee Benefits		34,926	
Operating Expenses		63,621	
Capital outlay		-	
Total	176,476	199,628	(23,152)
Public Facilities:			
Operating Expenses		140,383	
Capital outlay		5,900	
Total	147,751	146,283	1,468
Total General Government	1,550,699	1,084,519	466,180
Economic Development:			
Elizabethtown Airport/Econ Development Commission	40,000	40,000	
Total Economic Development	40,000	40,000	-
Public safety:			
Police:			
Salaries		779,375	
Employee Benefits		323,820	
Operating Expenses		201,745	
Capital outlay		104,846	
Total	1,434,379	1,409,786	24,593
Fire:			
Salaries		413,893	
Employee Benefits		149,380	
Operating Expenses		384,247	
Capital outlay		-	
Total	991,889	947,520	44,369
Total Public Safety	2,426,268	2,357,306	68,962
Transportation:			
Streets and highways:			
Salaries		187,155	
Employee Benefits		67,766	
Operating Expenses		234,350	
Capital Outlay		16,500	
Grants		-	
Total	509,441	505,771	3,670
Powell Bill:			
Capital Outlay		-	
Operating Expenses		39,750	
Contracted Supplies		-	
Total	112,594	39,750	72,844

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

	Budget	Actual	Variance Positive (Negative)
Airport:			
Salaries		59,536	
Employee Benefits		18,734	
Total	<u>79,747</u>	<u>78,270</u>	<u>1,477</u>
Total Transportation	<u>701,782</u>	<u>623,791</u>	<u>77,991</u>
Environmental protection:			
Disposal Cost		551,765	
Total Environmental Protection	<u>582,500</u>	<u>551,765</u>	<u>30,735</u>
Culture and recreation:			
Recreation Department			
Operating Expenses		28,921	
Capital Outlay		-	
Total Recreation Department	<u>47,650</u>	<u>28,921</u>	<u>18,729</u>
Donations:			
County Library Donation		4,000	
Other Donations		1,000	
Dixie Youth Baseball		2,000	
Total Donations	<u>16,400</u>	<u>7,000</u>	<u>9,400</u>
Total Culture and Recreation	<u>64,050</u>	<u>35,921</u>	<u>28,129</u>
Debt service:			
Principal retirement		269,513	
Interest and fees		80,905	
Total Debt Service	<u>477,042</u>	<u>350,418</u>	<u>126,624</u>
Total Expenditures	<u>5,842,341</u>	<u>5,043,720</u>	<u>798,621</u>
Revenues over (under) expenditures	<u>(492,056)</u>	<u>(304,988)</u>	<u>187,068</u>
Other Financing Sources (Uses):			
Transfers To/From Other Funds:			
To Airport	(92,739)	(76,071)	16,668
To Capital Project	(147,322)	(147,322)	-
Fund Balance Appropriated	578,729	-	(578,729)
Proceeds of capital lease	153,388	153,388	-
Total Other Financing Sources(Uses)	<u>492,056</u>	<u>(70,005)</u>	<u>(562,061)</u>
Net Change in Fund Balance	\$ <u>-</u>	(374,993) \$	<u>(374,993)</u>
Fund Balance, Beginning as Previously Reported		2,938,561	
Prior Period Adjustment (Note 8)		<u>(310,820)</u>	
Fund Balance, Beginning as Restated		2,627,741	
Fund Balance, Ending		<u>\$ 2,252,748</u>	

Town of Elizabethtown, North Carolina
Greene's Lake Capital Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Priors Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
PARTF	\$ 500,000	\$ 16,869	\$ 483,131	\$ 500,000	\$ -
FEMA Reimbursement	621,352	621,351	-	621,351	(1)
Total Restricted Intergovernmental	<u>1,121,352</u>	<u>638,220</u>	<u>483,131</u>	<u>1,121,351</u>	<u>(1)</u>
Expenditures					
Cultural and Recreation					
Operating Expenses		19,905	-	19,905	
Park Improvements		620,315	629,798	1,250,113	
Total	<u>1,269,911</u>	<u>640,220</u>	<u>629,798</u>	<u>1,270,018</u>	<u>(107)</u>
Revenues over Expenditures	<u>(148,559)</u>	<u>(2,000)</u>	<u>(146,667)</u>	<u>(148,667)</u>	<u>(108)</u>
Other Financing Sources (Uses):					
From General Fund	148,559	-	147,322	147,322	(1,237)
Total	<u>148,559</u>	<u>-</u>	<u>147,322</u>	<u>147,322</u>	<u>(1,237)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(2,000)</u>	655	\$ <u>(1,345)</u>	\$ <u>(1,345)</u>
Fund Balance, Beginning			(2,000)		
Fund Balance, Ending			<u>\$ (1,345)</u>		

Town of Elizabethtown, North Carolina
Elizabethtown Fire and Rescue Building Capital Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Priors Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
Golden Leaf	\$ 2,458,708	\$ 2,458,708	\$ -	\$ 2,458,708	\$ -
Total Restricted Intergovernmental	<u>2,458,708</u>	<u>2,458,708</u>	<u>-</u>	<u>2,458,708</u>	<u>-</u>
Donation	100,000	-	100,000	100,000	-
Investment Earnings	-	-	-	-	-
Total Revenue	<u>2,558,708</u>	<u>2,458,708</u>	<u>100,000</u>	<u>2,558,708</u>	<u>-</u>
Expenditures					
Public Safety					
Capital Outlay	3,300,235	3,284,232	16,001	3,300,233	2
Debt Service	-	-	-	-	-
Total	<u>3,300,235</u>	<u>3,284,232</u>	<u>16,001</u>	<u>3,300,233</u>	<u>2</u>
Revenues over Expenditures	<u>(741,527)</u>	<u>(825,524)</u>	<u>83,999</u>	<u>(741,525)</u>	<u>2</u>
Other Financing Sources (Uses):					
Proceeds from Seller Financing	350,000	350,000	-	350,000	-
Transfers	<u>391,527</u>	<u>77,515</u>	<u>-</u>	<u>77,515</u>	<u>(314,012)</u>
Total	<u>741,527</u>	<u>427,515</u>	<u>-</u>	<u>427,515</u>	<u>(314,012)</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>(398,009)</u>	83,999	\$ <u>(314,010)</u>	\$ <u>(314,010)</u>
Fund Balance, Beginning			(398,009)		
Fund Balance, Ending			\$ <u>(314,010)</u>		

Town of Elizabethtown, North Carolina
Elizabethtown Cemetery Capital Project
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Priors Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
FEMA Reimbursement	\$ 5,235,650	\$ 248,072	\$ 1,480,685	\$ 1,728,757	\$ (3,506,893)
Total Restricted Intergovernmental	<u>5,235,650</u>	<u>248,072</u>	<u>1,480,685</u>	<u>1,728,757</u>	<u>(3,506,893)</u>
Expenditures					
Cultural and Recreation					
Cemetery Repairs	<u>5,235,650</u>	<u>248,072</u>	<u>1,480,685</u>	<u>1,728,757</u>	<u>3,506,893</u>
Total	<u>5,235,650</u>	<u>248,072</u>	<u>1,480,685</u>	<u>1,728,757</u>	<u>3,506,893</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	-	\$ <u>-</u>	\$ <u>-</u>
Fund Balance, Beginning			-		
Fund Balance, Ending			\$ <u>-</u>		

Town of Elizabethtown, North Carolina
Airport Capital Projects
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Authorization	Priors Years	Actual Current Year	Total To Date	Variance Positive (Negative)
Revenues:					
Restricted Intergovernmental					
State Grant	\$ 380,521	\$ -	\$ 336,126	\$ 336,126	\$ (44,395)
State Grant	964,999	762,991	7,725	770,716	(194,283)
FEMA Reimbursement	55,411	-	-	-	(55,411)
Total Restricted Intergovernmental	<u>1,400,931</u>	<u>762,991</u>	<u>343,851</u>	<u>1,106,842</u>	<u>(294,089)</u>
Insurance Proceeds	9,047	-	-	-	(9,047)
Total	<u>1,409,978</u>	<u>762,991</u>	<u>343,851</u>	<u>1,106,842</u>	<u>(303,136)</u>
Expenditures:					
Economic Development					
Industrial Park Taxiway					
Construction		-	429,351	429,351	
Total	<u>429,351</u>	<u>-</u>	<u>429,351</u>	<u>429,351</u>	<u>-</u>
Airfield Design					
Construction		847,795	30,143	877,938	
Total	<u>1,072,222</u>	<u>847,795</u>	<u>30,143</u>	<u>877,938</u>	<u>194,284</u>
Non-Capital Project Expenditures					
Operating Expenditures		69,849	-	69,849	
Total	<u>69,958</u>	<u>69,849</u>	<u>-</u>	<u>69,849</u>	<u>109</u>
Total Expenditures	<u>1,571,531</u>	<u>917,644</u>	<u>459,494</u>	<u>1,377,138</u>	<u>194,393</u>
Revenues over Expenditures	<u>(161,553)</u>	<u>(154,653)</u>	<u>(115,643)</u>	<u>(270,296)</u>	<u>(108,743)</u>
Other Financing Sources (Uses):					
Transfer From General Fund	161,553	194,225	76,071	270,296	108,743
Total	<u>161,553</u>	<u>194,225</u>	<u>76,071</u>	<u>270,296</u>	<u>108,743</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>39,572</u>	(39,572)	\$ <u>-</u>	\$ <u>-</u>
Fund Balance, Beginning			39,572		
Fund Balance, Ending			<u>\$ -</u>		

Town of Elizabethtown, North Carolina
Combining Balance Sheet
Nonmajor Governmental Funds
For Fiscal Year Ended June 30, 2021

	CDBG Client Repayment Fund	Total Nonmajor Governmental Funds
Assets		
Cash and Investments	\$ -	\$ -
Restricted Cash	<u>30,232</u>	<u>30,232</u>
Total Assets	<u>\$ 30,232</u>	<u>\$ 30,232</u>
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>
Fund Balance		
Restricted		
Stabilization by State Statute	-	-
Economic Development	30,232	30,232
Unassigned	<u>-</u>	<u>-</u>
Total Fund Balance	<u>30,232</u>	<u>30,232</u>
Total Liabilities and Fund Balance	<u>\$ 30,232</u>	<u>\$ 30,232</u>

Town of Elizabethtown, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For Fiscal Year Ended June 30, 2021

	<u>CDBG Client Repayment Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Restricted Intergovernmental Grant	\$ -	\$ -
Investment Earnings	<u>1</u>	<u>1</u>
Total	<u>1</u>	<u>1</u>
Expenditures		
General Government	-	-
Cultural and Recreation	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>
Revenues over Expenditures	<u>1</u>	<u>1</u>
Net Change in Fund Balance	<u>1</u>	<u>1</u>
Fund Balance, Beginning	<u>30,231</u>	<u>30,231</u>
Fund Balance, Ending	<u>\$ 30,232</u>	<u>\$ 30,232</u>

Town of Elizabethtown, North Carolina
Special Revenue Fund - CDBG Client Repayment Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project	Actual			Variance
	Authorization	Priors Years	Current Year	Total To Date	Positive (Negative)
Revenues:					
Client Repayments	\$ -	\$ 25,619	\$ -	\$ 25,619	\$ 25,619
Interest on Investments	-	5,255	1	5,256	5,256
Total	-	30,874	1	30,875	30,875
Expenditures:					
Demolition Cost					
Service Charges		643	-	643	(643)
Total	30,231	643	-	643	29,588
Revenues over (under) expenditures	\$ (30,231)	\$ 30,231	1	\$ 30,232	\$ 60,463
Other Financing Sources (Uses):					
Fund Balance Appropriated	30,231	-	-	-	(30,231)
Total	30,231	-	-	-	(30,231)
Net Change in Fund Balance	\$ -	\$ 30,231	1	\$ 30,232	\$ 30,232
Fund Balances:					
Beginning of year, July 1			30,231		
End of year, June 30			\$ 30,232		

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues			
Water Sales	\$	\$ 732,912	\$
County Water		214	
Sewer Charges		808,161	
Industrial Water		268	
Grease Trap Fees		47,323	
Water and Sewer Taps		19,169	
Late/Reconnection Fees		85,410	
Miscellaneous		132,143	
Total	<u>1,722,369</u>	<u>1,825,600</u>	<u>103,231</u>
Nonoperating Revenues:			
Interest Earned on Investment		-	
Total	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>1,722,469</u>	<u>1,825,600</u>	<u>103,131</u>
Expenditures:			
Operating Expenses			
Water Department			
Salaries		339,897	
Employee Benefits		61,664	
Operating Expenses		288,405	
Total	<u>693,243</u>	<u>689,966</u>	<u>3,277</u>
Sewer Department			
Salaries		301,753	
Employee Benefits		41,661	
Operating Expenses		270,288	
Total	<u>614,428</u>	<u>613,702</u>	<u>726</u>
Total General Expenses	<u>1,307,671</u>	<u>1,303,668</u>	<u>4,003</u>
Debt service:			
Interest and fees		27,238	
Principal retirement		69,195	
Total debt service	<u>96,777</u>	<u>96,433</u>	<u>344</u>

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

	Budget	Actual	Variance Positive (Negative)
Capital outlay:			
Equipment		800,006	
Total capital outlay	816,000	800,006	15,994
Total expenditures	2,220,448	2,200,107	20,341
Capital Contributions - Grants	-	-	-
Other financing sources (uses):			
Transfer to Capital Projects	(132,021)	(105,237)	26,784
Sale of Assets	-	4,848	4,848
Total other financing sources (uses)	(132,021)	(100,389)	31,632
Fund Balance Appropriated	630,000	-	(630,000)
Revenues and other sources over expenditures and other uses	\$ -	\$ (474,896)	\$ (474,896)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		\$ (474,896)	
Reconciling items:			
Principal retirement		69,195	
Capital outlay		800,006	
Capital Contributions - Capital Projects		164,129	
Operating Expenses - Capital Projects		(118,219)	
Transfer to/from Capital Projects		105,237	
Increase/(Decrease) in deferred outflows of resources-pensions		(209)	
(Increase)/Decrease in net pension liability		(13,411)	
(Increase)/Decrease in deferred inflows of resources-pensions		(12)	
(Increase)/Decrease in compensated absences payable		(3,046)	
Cost of Assets Sold		(17,228)	
Depreciation-Water		(312,110)	
Depreciation-Sewer		(312,110)	
Total reconciling items		362,222	
Change in Net Position		\$ (112,674)	

Town of Elizabethtown, North Carolina
Water and Sewer Capital Projects Fund
Statement of Revenues and Expenditures
and Changes in Fund Balance - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Current Year</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Investment Earnings	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)			
Transfers			
From Water/Sewer Fund	-	44,052	44,052
To Water/Sewer Fund	<u>-</u>	<u>-</u>	<u>-</u>
Net Transfers	-	44,052	44,052
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and Other Sources over (Under) Expenditures	\$ <u>-</u>	<u>44,052</u>	\$ <u>44,052</u>

Town of Elizabethtown, North Carolina
Integrated Water/Sewer Map
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues :					
Restricted intergovernmental:					
NC Water Infrastructure	\$ <u> </u>	\$ <u>160,268</u>	\$ <u>111,057</u>	\$ <u>271,325</u>	\$ <u> </u>
Total revenues	<u>300,000</u>	<u>160,268</u>	<u>111,057</u>	<u>271,325</u>	<u>(28,675)</u>
Expenditures:					
Operating Expenditures	<u> </u>	<u>175,268</u>	<u>118,219</u>	<u>293,487</u>	<u> </u>
Total expenditures	<u>319,500</u>	<u>175,268</u>	<u>118,219</u>	<u>293,487</u>	<u>26,013</u>
Revenues under expenditures	<u>(19,500)</u>	<u>(15,000)</u>	<u>(7,162)</u>	<u>(22,162)</u>	<u>(2,662)</u>
Other Financing Sources (Uses):					
Transfer from Water Fund	19,500	-	15,000	15,000	(4,500)
Total Other Financing Sources (Uses)	<u>19,500</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>(4,500)</u>
Revenue and Other Sources over (Under) Expenditures	\$ <u><u>-</u></u>	\$ <u><u>(15,000)</u></u>	\$ <u><u>7,838</u></u>	\$ <u><u>(7,162)</u></u>	\$ <u><u>(7,162)</u></u>

Town of Elizabethtown, North Carolina
Industrial Park Sewer & Water Capital Project
Water and Sewer Capital Projects Fund
Schedule of Revenues and Expenditures - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2021

	<u>Project Authorization</u>	<u>Priors Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Positive (Negative)</u>
Revenues:					
Restricted Intergovernmental					
NC Industrial Develop Fund	\$ 248,960	\$ 45,822	\$ 53,072	\$ 98,894	\$ (150,066)
Total Revenue	<u>248,960</u>	<u>45,822</u>	<u>53,072</u>	<u>98,894</u>	<u>(150,066)</u>
Expenditures					
Construction in Progress	<u>295,145</u>	<u>45,822</u>	<u>99,257</u>	<u>145,079</u>	
Total	<u>295,145</u>	<u>45,822</u>	<u>99,257</u>	<u>145,079</u>	<u>150,066</u>
Revenues over Expenditures	<u>(46,185)</u>	<u>-</u>	<u>(46,185)</u>	<u>(46,185)</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfer from Water Fund	<u>46,185</u>	<u>-</u>	<u>46,185</u>	<u>46,185</u>	<u>-</u>
Total	<u>46,185</u>	<u>-</u>	<u>46,185</u>	<u>46,185</u>	<u>-</u>
Revenue and Other Sources over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER SCHEDULES

This section includes additional information on property taxes.

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

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

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020 - 2021	\$ -	\$ 1,776,219	\$ 1,725,616	\$ 50,603
2019 - 2020	70,607	-	30,281	40,326
2018 - 2019	51,277	-	8,808	42,469
2017 - 2018	43,015	-	8,887	34,128
2016 - 2017	8,253	-	2,610	5,643
2015 - 2016	5,193	-	2,332	2,861
2014 - 2015	3,190	-	711	2,479
2013 - 2014	8,042	-	949	7,093
2012 - 2013	7,902	-	844	7,058
2011 - 2012	7,767	-	714	7,053
2010 - 2011	8,125	-	8,125	-
	<u>\$ 213,371</u>	<u>\$ 1,776,219</u>	<u>\$ 1,789,877</u>	<u>\$ 199,713</u>
Less Allowance For Doubtful Accounts				(64,000)
Net Outstanding Taxes Receivable				<u>\$ 135,713</u>

Reconcilement with revenues:

Ad valorem taxes - General Fund	\$ 1,784,393
Reconciling items:	
Interest collected	(15,696)
Discounts allowed	11,638
Releases	9,542
Subtotal	<u>5,484</u>
Total collections and credits	<u>\$ 1,789,877</u>

Town of Elizabethtown, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

				Total Levy	
	Town - Wide			Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Property Valuation	Rate	Total Levy		
Original levy:					
Property taxed at current year's rate	\$ 283,899,675	0.615	\$ 1,745,983	\$ 1,543,340	\$ 202,643
Downtown District Tax			38,127	38,127	-
Total	<u>283,899,675</u>		<u>1,784,110</u>	<u>1,581,467</u>	<u>202,643</u>
Discoveries:					
Current year taxes	<u>8,130</u>	0.615	<u>50</u>	<u>50</u>	<u>-</u>
Total	<u>8,130</u>		<u>50</u>	<u>50</u>	<u>-</u>
Abatements	<u>1,291,220</u>	0.615	<u>(7,941)</u>	<u>(7,941)</u>	<u>-</u>
Total property valuation	<u>\$ 282,616,585</u>				
Net levy			1,776,219	1,573,576	202,643
Uncollected taxes at June 30, 2021			<u>50,603</u>	<u>50,603</u>	<u>-</u>
Current year's taxes collected			<u>\$ 1,725,616</u>	<u>\$ 1,522,973</u>	<u>\$ 202,643</u>
Current levy collection percentage			<u>97.07%</u>	<u>96.78%</u>	<u>100.00%</u>

COMPLIANCE SECTION



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**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***

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Council
Town of Elizabethtown, 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 accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Elizabethtown, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Elizabethtown's basic financial statements, and have issued our report thereon dated January 24, 2022. The financial statements of the Town of Elizabethtown ABC Board and Elizabethtown Airport/Economic Development Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Elizabethtown'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 of Elizabethtown's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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. A *significant deficiency* is a deficiency or 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, 2021-001 and 2021-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Elizabethtown's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Elizabethtown's Responses to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected 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 result 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.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

January 24, 2022



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**Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance;
With OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Elizabethtown, North Carolina, compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Elizabethtown's major federal programs for the year ended June 30, 2021. The Town of Elizabethtown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal and State statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Elizabethtown's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Elizabethtown's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Elizabethtown's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Elizabethtown complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Elizabethtown is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Elizabethtown's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

January 24, 2022



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**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance;
In Accordance with OMB Uniform Guidance and the State Single Audit Implementation Act**

Independent Auditor's Report

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

Report on Compliance for Each Major State Program

We have audited the Town of Elizabethtown, North Carolina, compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Elizabethtown's major State programs for the year ended June 30, 2021. The Town of Elizabethtown's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Elizabethtown's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of State Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about the Town of Elizabethtown's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Town of Elizabethtown's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Elizabethtown complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Town of Elizabethtown is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Elizabethtown's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a State program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

January 24, 2022

Section I.	Summary of Auditor's Results
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Town of Elizabethtown, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section I.	Summary of Auditor's Results
------------	------------------------------

State Awards

Internal control over major State awards:

- Material weakness(es) identified? _____yes X no
- Significant Deficiency(s) identified? _____yes X none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required

to be reported in accordance with

the State Single Audit Implementation Act?

_____yes X no

Identification of major State programs:

Name of Program

State Match to the Federal Program Disaster Grants-Public Assistance

Park and Recreation Trust Fund

Town of Elizabethtown, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

Finding: 2021 – 001 Segregation of Duties

Criteria: The assignment of responsibilities should be segregated so that one person is not responsible for the authorization and recording of a transaction and the custody of the related asset. There needs to be a reconciliation or control activity to provide reasonable assurance that transactions are handled appropriately.

Condition: Key duties and functions are not segregated among Town personnel. This is especially a concern in cash management, accounts receivable, purchasing, and payroll functions in all departments.

Effect: Transactions could be mishandled, due to errors or fraud that could lead to loss of assets or the reporting of misleading financial information.

Cause: There are a limited number of personnel for certain functions and lack of board oversight.

Recommendation: The duties should be separated as much as possible, by possibly training and utilizing non-financial personnel and utilizing alternative controls. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and will adhere to the correction action plan on page in this audit report.

Finding: 2021 - 002 Prior Period Adjustment

Criteria: The June 30, 2021, beginning Net Position was restated for two material adjustments. One - accounts receivable of \$310,820 was not recorded for the correct amount after additional information was received. A capital project from the prior year was determined to be a larger project and it was decided to capitalize the project, therefore fixed assets were understated by \$248,072. Another adjustment which had no effect on Net Position was a land purchase and related seller finance debt.

Condition: A 2020 year end reimbursement expected in 2021 did not occur. The scope of a capital project increased and was determined to be a capital asset.

Context: Accounts receivable included an amount that was not collected in the subsequent year. Capital assets did not show the full amount of capital project disbursements in the 2020 Financial Statements.

Effect: 2020 Financial Statement Total net position and total assets were overstated by \$62,748.

Cause: The town anticipated a larger reimbursement than was actually received. The town was not sure to the extent and scope of a capital project and the anticipated grant funds that would be received. Initial intent was to expend as repairs.

Recommendation: Town management will review all anticipated subsequent collections to determine the accuracy and availability of funding.

Views of responsible officials and planned corrective actions: The Town agrees with this finding and has already taken action.

Town of Elizabethtown, North Carolina
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2021

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – State Award Findings and Questioned Costs

None.



Town of Elizabethtown

PO Box 716

Elizabethtown, NC 28337

Corrective Action Plan

June 30, 2021

Section II – Financial Statement Findings

Significant Deficiencies

2021 – 001 Segregation of Duties

Name of contact person: Sylvia Campbell, Mayor

Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. Nonfinancial employees will be trained and provide some assistance.

Proposed Completion Date: The Board will implement the above procedures immediately.

2021 - 002 Prior Period Adjustment

Name of contact person: Sylvia Campbell, Mayor

Corrective Action: The Town will implement a more rigorous review process to determine accounts receivable.

Proposed Completion Date: Immediately.

Town of Elizabethtown, North Carolina
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2021

Finding: 2020-001

Status: Has been corrected.

Finding: 2015-001

Status: Has been corrected.

Town of Elizabethtown, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct & Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass through to Subrecipients</u>
Federal Grants:					
Cash Assistance					
<u>U.S. Dept. of Treasury</u>					
Passed-through the Office of State Budget and Management:					
NC Pandemic Recovery Office					
Passed through Bladen County:					
Coronavirus Relief Fund	21.019		\$ 131,081	\$ -	\$ -
Total U.S. Dept. of Treasury					
<u>U.S. Department of Homeland Security</u>					
Passed-through N.C. Department of Public Safety:					
Disaster Grants-Public Assistance					
(Presidentially Declared Disasters)	97.036		1,115,413	371,804	-
Total Federal Assistance			\$ <u>1,246,494</u>	\$ <u>371,804</u>	\$ <u>-</u>
State Grants:					
Cash Assistance					
<u>North Carolina Department of Natural and Cultural Resources</u>					
Park and Recreation Trust Fund			\$ -	\$ 477,153	\$ -
<u>N.C. Department of Public Safety</u>					
Office of Recovery and Resiliency			-	173,549	-
<u>North Carolina Department of Commerce</u>					
<u>Rural Economic Development Division</u>					
Industrial Development Fund			-	53,072	-
<u>N.C. Department of Transportation</u>					
Powell Bill			-	39,750	-
DOT - 8 State Aid to Airports - Airfield Design	36244.4.5.1		-	7,725	-
DOT - 8 State Aid to Airports - Land Purchase	36244.4.9.1		-	336,126	-
<u>N.C. Department of Environmental Quality</u>					
AIA Wastewater Project		E-AIA-W-18-0109	-	51,923	-
Water System AIA		H-AIA-D-18-0120	-	66,296	-

Town of Elizabethtown, North Carolina
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/ Pass-through Grantor's Number	Fed. (Direct & Pass-through) Expenditures	State Expenditures	Pass through to Subrecipients
Total State Assistance			-	1,205,594	-
Total Federal and State Assistance			\$ 1,246,494	\$ 1,577,398	\$ -

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Elizabethtown under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Elizabethtown, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net position or cash flows of the Town of Elizabethtown.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Town of Elizabethtown has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.