

REVIEWED

By SLGFD at 10:54 am, Mar 02, 2022

TOWN OF ELM CITY, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2021

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Elm City, North Carolina

Board of Commissioners

Tawanda Moore, Mayor
Tammie Atkinson
Tim Bridgers
David Greene
Cornell Mercer
Gil Wheeler

Administrative and Financial Staff

John Edwards, Town Administrator
Shameshia Fennell, Finance Officer

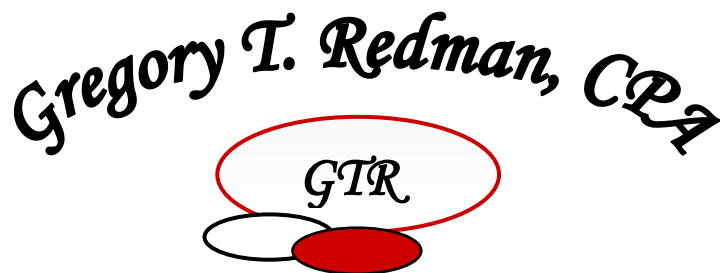
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Elm City, North Carolina
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Elm City, North Carolina
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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 24, 2022 on my consideration of Elm City's internal control over financial reporting and on my 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 my 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 Elm City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Gregory T. Redman, CPA". The signature is written in a cursive, flowing style.

Gregory T. Redman, CPA
Tarboro, North Carolina
January 24, 2022

Management's Discussion and Analysis

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

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

Financial Highlights

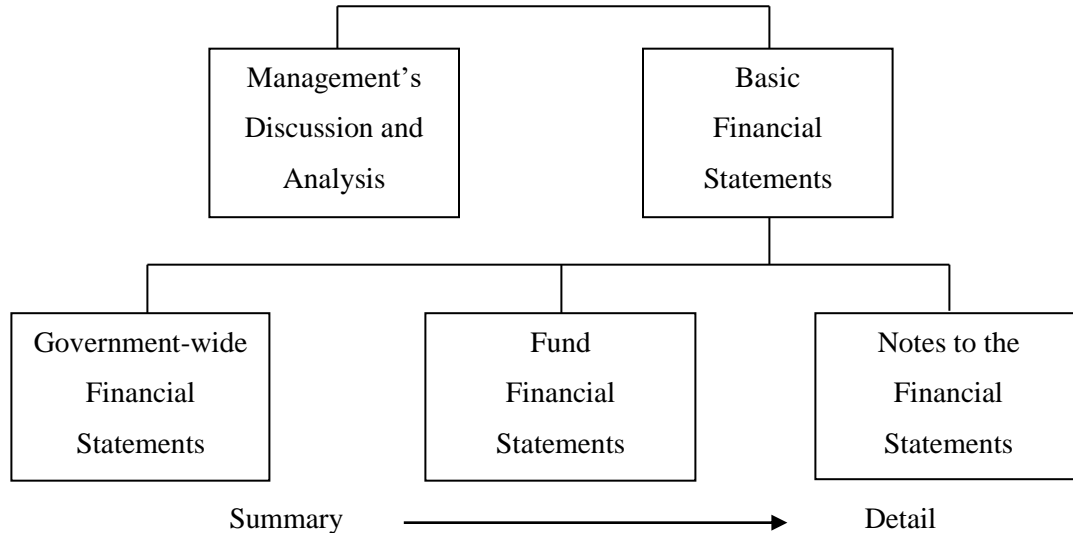
- The assets of the Town of Elm City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,935,829 (net position).
- The government's total net position increased by \$522,076 due to operations.
- At the close of the current fiscal year, the Town of Elm City's governmental funds reported an ending fund balance of \$730,593, an increase of \$205,514 due to operations.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$223,136 or 29 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

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

Government-wide Financial Statements

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

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic service such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Elm City.

Fund Financial Statements

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

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

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

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

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

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Elm City's ad valorem tax receivable and current tax levy.

Government-wide Financial Analysis

The Town of Elm City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 815,208	\$ 618,712	\$ (10,605)	\$ (133,148)	\$ 804,603	\$ 485,564
Non-current assets	1,177,116	1,210,835	9,906,927	9,851,365	11,084,043	11,062,200
Deferred outflows of resources	12,326	11,201	1,370	1,180	13,696	12,381
Total Assets and Deferred Outflows of Resources	\$ 2,004,650	\$ 1,840,748	\$ 9,897,692	\$ 9,719,397	\$ 11,902,342	\$ 11,560,145
Long-term liabilities outstanding	\$ 1,095,810	\$ 1,171,604	\$ 2,690,712	\$ 2,769,296	\$ 3,786,522	\$ 3,940,900
Current liabilities	38,998	66,000	129,578	124,801	168,576	190,801
Deferred inflows of resources	10,273	13,221	1,142	1,470	11,415	14,691
Total Liabilities and Deferred Inflows of Resources	\$ 1,145,081	\$ 1,250,825	\$ 2,821,432	\$ 2,895,567	\$ 3,966,513	\$ 4,146,392
Net Position:						
Net investment in capital assets	\$ 80,588	\$ 6,509	\$ 7,139,689	\$ 7,006,921	\$ 7,220,277	\$ 7,013,430
Restricted	507,457	465,783	-	-	507,457	465,783
Unrestricted	271,524	117,631	(63,429)	(183,091)	208,095	(65,460)
Total Net Position	\$ 859,569	\$ 589,923	\$ 7,076,260	\$ 6,823,830	\$ 7,935,829	\$ 7,413,753

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Elm City exceeded liabilities and deferred inflows of resources by \$7,935,829 as of June 30, 2021. The Town's net position increased by \$522,076 for the fiscal year ended June 30, 2021. However, the largest portion (91%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Elm City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Elm City's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Elm City's net position (6%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Elm City's net position \$208,095 is unrestricted.

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

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

- The Town's financial operations are positively influenced by the tax collection rate of 96% on property (excluding registered motor vehicles).

Town of Elm City Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 133,632	\$ 145,893	\$ 688,733	\$ 644,449	\$ 822,365	\$ 790,342
Operating grants and contributions	36,306	38,671	-	-	36,306	38,671
Capital grants and contributions	-	-	439,745	192,315	439,745	192,315
General revenues:						
Property taxes	543,656	555,932	-	-	543,656	555,932
Other taxes	-	-	-	-	-	-
Unrestricted investment earnings	180	2,107	-	228	180	2,335
Unrestricted grants and contributions	300,725	271,527	-	-	300,725	271,527
Miscellaneous	13,292	2,404	10,000	16,639	23,292	19,043
Total Revenues	<u>\$ 1,027,791</u>	<u>\$ 1,016,534</u>	<u>\$ 1,138,478</u>	<u>\$ 853,631</u>	<u>\$ 2,166,269</u>	<u>\$ 1,870,165</u>
Expenses:						
General government	\$ 199,250	\$ 207,720	\$ -	\$ -	\$ 199,250	\$ 207,720
Public safety	146,356	163,110	-	-	146,356	163,110
Cultural and recreation	94,224	68,249	-	-	94,224	68,249
Environmental protection	260,089	255,389	-	-	260,089	255,389
Economic and physical development	-	-	-	-	-	-
Transportation	19,916	146,539	117,542	-	137,458	146,539
Interest expense	38,310	54,331	768,506	120,257	806,816	174,588
Water and sewer	-	-	-	725,981	-	725,981
Total Expenses	<u>\$ 758,145</u>	<u>\$ 895,338</u>	<u>\$ 886,048</u>	<u>\$ 846,238</u>	<u>\$ 1,644,193</u>	<u>\$ 1,741,576</u>
Increase(decrease) in net position						
before transfers	269,646	121,196	252,430	7,393	522,076	128,589
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	<u>269,646</u>	<u>121,196</u>	<u>252,430</u>	<u>7,393</u>	<u>522,076</u>	<u>128,589</u>
Net position, July 1	589,923	518,989	6,823,830	6,902,351	7,413,753	7,421,340
Prior Period Adjustment	-	(50,262)	-	(85,914)	-	(136,176)
Net position, June 30	<u>\$ 859,569</u>	<u>\$ 589,923</u>	<u>\$ 7,076,260</u>	<u>\$ 6,823,830</u>	<u>\$ 7,935,829</u>	<u>\$ 7,413,753</u>

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

Governmental Activities. Governmental activities increased the Town's net position by \$269,646.

Business-type Activities. Business-type activities increased the Town of Elm City's net position by \$252,430.

Financial Analysis of the Town's Funds

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

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

The general fund is the chief operating fund of the Town of Elm City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$223,136, while total fund balance was \$730,593. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29% of total General Fund expenditures. Total fund balance represents 94% of total General Fund expenditures.

At June 30, 2021, the governmental funds of Town of Elm City reported a fund balance of \$730,593, a 39% increase from last year.

General Fund Budgetary Highlights. During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. There are several areas where budget amendments should have been made but were not. The Town will monitor expenditures going forward and make budget amendments when necessary.

Proprietary Funds. The Town'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 (\$63,429). The total change in net position for the fund was an increase of \$252,430. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets. The Town of Elm City's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$11,084,043 (net of accumulated depreciation). These assets include buildings, roads, and bridges, land, machinery and equipment, and vehicles.

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

The Town of Elm City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 40,467	\$ 40,467	\$ 265,383	\$ 265,383	\$ 305,850	\$ 305,850
Buildings and systems	1,136,649	1,170,368	-	-	1,136,649	1,170,368
Vehicles and motorized equipment	-	-	-	-	-	-
Water and sewer	-	-	8,660,754	8,269,975	8,660,754	8,269,975
Construction in progress	-	-	980,790	1,316,007	980,790	1,316,007
Total	<u>\$ 1,177,116</u>	<u>\$ 1,210,835</u>	<u>\$ 9,906,927</u>	<u>\$ 9,851,365</u>	<u>\$ 11,084,043</u>	<u>\$ 11,062,200</u>

**The Town of Elm City's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 2,634,000	\$ 2,689,000	\$ 2,634,000	\$ 2,689,000
Water quality loan	-	-	133,238	155,444	133,238	155,444
Installment purchases	1,096,528	1,152,088	-	-	1,096,528	1,152,088
Total	<u>\$ 1,096,528</u>	<u>\$ 1,152,088</u>	<u>\$ 2,767,238</u>	<u>\$ 2,844,444</u>	<u>\$ 3,863,766</u>	<u>\$ 3,996,532</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Elm City is \$2,417,034.

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:

Town Administrator
Town of Elm City
117 S. Railroad Street
Elm City, NC 27822
(252) 236-4917

Financial Section

Basic Financial Statements

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

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 237,295	\$ 28,629	\$ 265,924
Taxes receivable (net)	55,692	-	55,692
Accounts receivable - net	6,642	383,583	390,225
Accrued interest receivable	14,764	-	14,764
Internal balances	422,817	(422,817)	-
Restricted cash and cash equivalents	77,998	-	77,998
Total Current Assets	<u>\$ 815,208</u>	<u>\$ (10,605)</u>	<u>\$ 804,603</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 40,467	\$ 265,383	\$ 305,850
Other capital assets, net of depreciation	1,136,649	9,641,544	10,778,193
Total capital assets	<u>\$ 1,177,116</u>	<u>\$ 9,906,927</u>	<u>\$ 11,084,043</u>
Total Assets	<u>\$ 1,992,324</u>	<u>\$ 9,896,322</u>	<u>\$ 11,888,646</u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 12,326</u>	<u>\$ 1,370</u>	<u>\$ 13,696</u>
Liabilities			
Current liabilities:			
Accounts payable - trade	\$ 13,483	\$ -	\$ 13,483
Compensated absences-current	-	-	-
Current portion of long-term liabilities	25,515	79,206	104,721
Customer deposits	-	50,372	50,372
Total Current Liabilities	<u>\$ 38,998</u>	<u>\$ 129,578</u>	<u>\$ 168,576</u>
Long-term liabilities:			
Net pension liability	\$ 24,121	\$ 2,680	\$ 26,801
Prepaid taxes	676	-	676
Due in more than one year	1,071,013	2,688,032	3,759,045
Total Long-term liabilities	<u>\$ 1,095,810</u>	<u>\$ 2,690,712</u>	<u>\$ 3,786,522</u>
Total Liabilities	<u>\$ 1,134,808</u>	<u>\$ 2,820,290</u>	<u>\$ 3,955,098</u>
Deferred Inflows of Resources			
Pension deferrals	\$ 10,273	\$ 1,142	\$ 11,415
Other	-	-	-
Total Deferred Inflows of Resources	<u>\$ 10,273</u>	<u>\$ 1,142</u>	<u>\$ 11,415</u>
Net Position			
Net investment in capital assets	\$ 80,588	\$ 7,139,689	\$ 7,220,277
Restricted for:			
Other functions	77,998	-	77,998
Stabilization by State Statute	429,459	-	429,459
Unrestricted	271,524	(63,429)	208,095
Total Net Position	<u><u>\$ 859,569</u></u>	<u><u>\$ 7,076,260</u></u>	<u><u>\$ 7,935,829</u></u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental Activities:							
General government	\$ 199,250	\$ -	\$ -	\$ -	\$ (199,250)	\$ -	\$ (199,250)
Public safety	146,356	-	-	-	(146,356)	-	(146,356)
Cultural and recreation	94,224	13,822	-	-	(80,402)	-	(80,402)
Environmental protection	260,089	119,810	468	-	(139,811)	-	(139,811)
Economic development	-	-	-	-	-	-	-
Transportation	19,916	-	35,838	-	15,922	-	15,922
Interest expense	38,310	-	-	-	(38,310)	(117,542)	(155,852)
Total governmental activities	<u>\$ 758,145</u>	<u>\$ 133,632</u>	<u>\$ 36,306</u>	<u>\$ -</u>	<u>\$ (588,207)</u>	<u>\$ (117,542)</u>	<u>\$ (705,749)</u>
Business-type activities:							
Water	244,500	271,493	-	-	-	26,993	26,993
Sewer	524,006	417,240	-	439,745	-	332,979	332,979
Total business-type activities	<u>\$ 768,506</u>	<u>\$ 688,733</u>	<u>\$ -</u>	<u>\$ 439,745</u>	<u>\$ -</u>	<u>\$ 359,972</u>	<u>\$ 359,972</u>
Total primary government	<u>\$ 1,526,651</u>	<u>\$ 822,365</u>	<u>\$ 36,306</u>	<u>\$ 439,745</u>	<u>\$ (588,207)</u>	<u>\$ 242,430</u>	<u>\$ (345,777)</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 543,656	\$ -	\$ 543,656
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					300,725	-	-
Unrestricted investment earnings					180	-	180
Miscellaneous					13,292	10,000	23,292
Total general revenues					<u>857,853</u>	<u>10,000</u>	<u>567,128</u>
Change in Net Position					\$ 269,646	\$ 252,430	\$ 522,076
Net Position, Beginning of year					589,923	6,823,830	7,413,753
Prior period adjustments					-	-	-
Net Position, End of year					<u>\$ 859,569</u>	<u>\$ 7,076,260</u>	<u>\$ 7,935,829</u>

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

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

	<u>Major Fund</u>
	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 237,295
Restricted cash	77,998
Receivables, net:	
Taxes	55,692
Accounts	6,642
Due from other funds	422,817
Total Assets	<u><u>\$ 800,444</u></u>
Liabilities	
Liabilities:	
Accounts payable - trade	\$ 13,483
Due to other funds	-
Total Liabilities	<u><u>\$ 13,483</u></u>
Deferred Inflows of Resources	
Property taxes receivable	\$ 55,692
Prepaid taxes	676
Total Deferred Inflows of Resources	<u><u>\$ 56,368</u></u>
Fund Balances	
Restricted:	
Stabilization by State Statute	\$ 429,459
Streets	77,998
Unassigned	223,136
Total Fund Balances	<u><u>\$ 730,593</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 800,444</u></u>

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

Town of Elm City, North Carolina
Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2021

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

Ending fund balance - governmental funds	\$ 730,593
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,177,116
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are not reported in the funds.	14,764
Net pension liability	(24,121)
Deferred outflows of resources related to pensions are not reported in the funds	12,326
Liabilities for earned but deferred revenues in fund statements.	55,692
Deferred outflows of resources related to pensions are not reported in the funds	(10,273)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	
Gross long-term debt	(1,096,528)
Some liabilities, including funds payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.	-
Net position of governmental activities	<u>\$ 859,569</u>

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

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

	<u>Major Fund</u>
	<u>General Fund</u>
Revenues	
Ad valorem taxes	\$ 501,320
Other taxes and licenses	-
Unrestricted intergovernmental	300,725
Restricted intergovernmental	36,306
Sales and services	133,632
Investment earnings	180
Miscellaneous	13,292
Total Revenues	<u>\$ 985,455</u>
Expenditures	
Current:	
General government	\$ 199,205
Public safety	146,356
Cultural and recreation	60,505
Environmental protection	260,089
Economic development	-
Transportation	19,916
Debt Service:	
Principal retirement	55,560
Interest	38,310
Total Expenditures	<u>\$ 779,941</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 205,514</u>
Other Financing Sources (Uses)	
Loan proceeds	\$ -
Transfer of funds	-
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	\$ 205,514
Fund balances	
Beginning of year	525,079
Prior period adjustment and correction of errors	-
End of year	<u><u>\$ 730,593</u></u>

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

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

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

Net change in fund balance - total governmental funds	\$ 205,514
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(33,719)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in funds.	
Change in deferred revenue for tax revenues	42,336
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	(4,592)
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. This amount is the net affect of these differences in the treatment of long-term debt and related items.	
New long-term debt issued	-
Principal payments on long-term debt	55,560
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.	4,547
Total changes in net position of governmental activities	<u>\$ 269,646</u>

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

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

	General Fund			Variance with
	Original	Final	Actual	Final Budget
			Amounts	Positive
				(Negative)
Revenues				
Ad valorem taxes	\$ 499,863	\$ 499,863	\$ 501,320	\$ 1,457
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	249,541	249,541	300,725	51,184
Restricted intergovernmental	38,575	38,575	36,306	(2,269)
Sales and services	161,181	161,181	133,632	(27,549)
Investment earnings	500	500	180	(320)
Miscellaneous	3,500	3,500	13,292	9,792
Total Revenues	<u>\$ 953,160</u>	<u>\$ 953,160</u>	<u>\$ 985,455</u>	<u>\$ 32,295</u>
Expenditures				
Current:				
General government	\$ 223,135	\$ 223,135	\$ 199,205	\$ 23,930
Public safety	147,413	147,413	146,356	1,057
Cultural and recreation	67,524	67,524	60,505	7,019
Environmental protection	262,836	262,836	260,089	2,747
Transportation	158,252	158,252	19,916	138,336
Debt Service:				
Principal retirement	55,560	55,560	55,560	-
Interest expense	38,440	38,440	38,310	130
Total Expenditures	<u>\$ 953,160</u>	<u>\$ 953,160</u>	<u>\$ 779,941</u>	<u>\$ 173,219</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,514</u>	<u>\$ 205,514</u>
Other Financing Sources (Uses)				
Fund balance appropriated	-	-	-	-
Loan proceeds	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>\$ 205,514</u>	<u><u>\$ 205,514</u></u>
Fund Balances				
Beginning of year			525,079	
Prior period adjustment and correction of errors			-	
End of year			<u><u>\$ 730,593</u></u>	

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

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

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 28,629	\$ 28,629
Accounts receivable (net)	44,708	29,530	74,238
Due from other governments	52,458	256,887	309,345
Due from other funds	-	-	-
Total Current Assets	<u>\$ 97,166</u>	<u>\$ 315,046</u>	<u>\$ 412,212</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	\$ -	\$ 265,383	\$ 265,383
Other capital assets, net of depreciation	827,131	8,814,413	9,641,544
Capital assets (net)	<u>\$ 827,131</u>	<u>\$ 9,079,796</u>	<u>\$ 9,906,927</u>
Total Assets	<u><u>\$ 924,297</u></u>	<u><u>\$ 9,394,842</u></u>	<u><u>\$ 10,319,139</u></u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ 685</u>	<u>\$ 685</u>	<u>\$ 1,370</u>
Liabilities			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Due to other funds	53,310	369,507	422,817
Customer deposits	49,372	1,000	50,372
Compensated absences - current	-	-	-
General obligation bonds payable - current	-	57,000	57,000
Note payable - current	-	22,206	22,206
Total Current Liabilities	<u>\$ 102,682</u>	<u>\$ 449,713</u>	<u>\$ 552,395</u>
Noncurrent liabilities:			
Compensated absences	\$ -	\$ -	\$ -
Net pension liability	1,340	1,340	2,680
Bonds payable - non-current	-	2,577,000	2,577,000
Note payable - non-current	-	111,032	111,032
Total non-current liabilities	<u>\$ 1,340</u>	<u>\$ 2,689,372</u>	<u>\$ 2,690,712</u>
Total Liabilities	<u><u>\$ 104,022</u></u>	<u><u>\$ 3,139,085</u></u>	<u><u>\$ 3,243,107</u></u>
Deferred Inflows of Resources			
Pension deferrals	<u>\$ 571</u>	<u>\$ 571</u>	<u>\$ 1,142</u>
Net Position			
Net investment in capital assets	\$ 827,131	\$ 6,312,558	\$ 7,139,689
Restricted net position	-	-	-
Unrestricted net position	(6,742)	(56,687)	(63,429)
Total Net Position	<u><u>\$ 820,389</u></u>	<u><u>\$ 6,255,871</u></u>	<u><u>\$ 7,076,260</u></u>

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

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

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenues			
Charges for services	\$ 247,953	\$ 395,787	\$ 643,740
Other operating revenues	23,540	21,453	44,993
Total Operating Revenues	<u>\$ 271,493</u>	<u>\$ 417,240</u>	<u>\$ 688,733</u>
Operating Expenses			
Water operations	\$ 244,500	\$ -	\$ 244,500
Sewer operations		246,454	246,454
Depreciation	-	277,552	277,552
Total Operating Expenses	<u>\$ 244,500</u>	<u>\$ 524,006</u>	<u>\$ 768,506</u>
Operating income (loss)	<u>\$ 26,993</u>	<u>\$ (106,766)</u>	<u>\$ (79,773)</u>
Non-operating Revenues (Expenses)			
Investment earnings	\$ -	\$ -	\$ -
Miscellaneous revenue	10,000	-	10,000
Interest and other charges	-	(117,542)	(117,542)
Total Non-operating Revenues (expenses)	<u>\$ 10,000</u>	<u>\$ (117,542)</u>	<u>\$ (107,542)</u>
Income (loss) before contributions and transfers	<u>\$ 36,993</u>	<u>\$ (224,308)</u>	<u>\$ (187,315)</u>
Capital contributions		439,745	439,745
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Change in net position	<u>\$ 36,993</u>	<u>\$ 215,437</u>	<u>\$ 252,430</u>
Net position, beginning	783,396	6,040,434	6,823,830
Prior period adjustment	-	-	-
Net position, beginning as restated	<u>783,396</u>	<u>6,040,434</u>	<u>6,823,830</u>
Net position, ending	<u><u>\$ 820,389</u></u>	<u><u>\$ 6,255,871</u></u>	<u><u>\$ 7,076,260</u></u>

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

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

	Major Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 206,017	\$ 371,388	\$ 577,405
Cash paid for goods and services	(239,557)	(311,670)	(551,227)
Cash paid to or on behalf of employees for services	-	-	-
Other operating revenues	23,540	21,453	44,993
Net cash provided (used) by operating activities	<u>\$ (10,000)</u>	<u>\$ 81,171</u>	<u>\$ 71,171</u>
Cash Flows From Noncapital Financing Activities			
Other revenue	\$ 10,000	\$ -	\$ 10,000
Transfers to other funds	-	-	-
Increase in due to other funds	-	4,087	4,087
Net cash provided by noncapital financing activities	<u>\$ 10,000</u>	<u>\$ 4,087</u>	<u>\$ 14,087</u>
Cash Flows From Capital and Related Financing			
Acquisition of capital assets	\$ -	\$ (333,114)	\$ (333,114)
Principal paid on notes payable	-	(77,206)	(77,206)
Interest paid on notes payable	-	(117,542)	(117,542)
Capital contributions	-	439,745	439,745
Net cash provided (used) by capital and related financing activities	<u>\$ -</u>	<u>\$ (88,117)</u>	<u>\$ (88,117)</u>
Cash Flows From Investing Activities			
Interest and dividends	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ -</u>	<u>\$ (2,859)</u>	<u>\$ (2,859)</u>
Balances - Beginning of year	-	31,488	31,488
Balances - End of year	<u><u>\$ -</u></u>	<u><u>\$ 28,629</u></u>	<u><u>\$ 28,629</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 26,993</u>	<u>\$ (106,766)</u>	<u>\$ (79,773)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ -	\$ 277,552	\$ 277,552
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(39,822)	(89,667)	(129,489)
Increase (decrease) in net pension liability	311	311	622
Increase (decrease) in deferred inflows of resources	(164)	(164)	(328)
(Increase) decrease in deferred outflows of resources	(95)	(95)	(190)
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in customer deposits	2,777	-	2,777
Increase (decrease) in accrued vacation pay	-	-	-
Total adjustments	<u>\$ (36,993)</u>	<u>\$ 187,937</u>	<u>\$ 150,944</u>
Net cash provided by operating activities	<u><u>\$ (10,000)</u></u>	<u><u>\$ 81,171</u></u>	<u><u>\$ 71,171</u></u>

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

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Elm City is a municipal corporation that is governed by an elected mayor and a four-member council.

B. Basis of Presentation

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

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

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

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

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

The Town reports the following major governmental funds:

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

The Town reports the following major enterprise funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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 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.

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

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

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

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year-end. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations by more than \$1,000. All amendments must be approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

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

1. Deposits and Investments

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 15-31]. The Town may designate, as an official depository, and bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

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

2. Cash and Cash Equivalents

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

3. Restricted Assets

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

Town of Elm City Restricted Cash

Governmental Activities

General Fund

Streets

\$ 77,998

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

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

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

6. 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. The Town has not adopted minimum capitalization policies. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimate 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:

Asset Class	Estimated Useful Lives
Infrastructure	20-40
Buildings	20-40
Improvements	20
Furniture and equipment	5-10
Computer equipment	5

7. Deferred Outflows/Inflows of Resources

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

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

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 receivables and deferrals of pension expenses that result from GASB 68.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Compensated Absences

The vacation policies of the Town 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 government-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 Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

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 has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

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

10. 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, reservations of fund balance represent amounts that cannot be appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance for the subsequent year's budget to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as those amounts stand at the close of the fiscal year preceding the budget year.

The governmental fund types classify fund balances as follows:

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

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

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

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

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

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

11. Pensions

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

II. Stewardship, Compliance, and Accountability

A. Non-compliance with North Carolina General Statutes

Annual Audit

In accordance with G.S. 159-34, each unit of local government shall have its accounts audited as soon as possible after the close of each fiscal year. The audit for the year ended June 30, 2021 was not completed until January 24, 2022. Due to changeover in management personnel, the final accounting records were not received for audit until December 2021. The prior year audit was also seven months late. The Town has hired new staff and an outside accountant and anticipates more timely audits in the future.

III. Detail Notes on All Funds

A. Assets

1. Deposits

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

Town of Elm City, North Carolina
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For the Year Ended June 30, 2021

covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits.

At June 30, 2021, the Town's deposits had a carrying amount of \$256,451 which is comprised of cash and cash equivalents, and a bank balance of \$574,100. Of the bank balance, \$250,000 of it was covered by federal depository insurance.

2. Investments

At June 30, 2021, the Town of Elm City had \$87,471 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has adopted a formal policy regarding credit risk.

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value-Level 1	\$ 87,471	N/A	AAAM
Total		\$ 87,471		

a. Interest Rate Risk

The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy limits as least half of the Town's investment portfolio to maturities of less than 12 months.

b. Credit Risk

The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAM by Standard & Poor's and AAAM-mf by Moody's Investors Service as of June 30, 2021.

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

3. Receivables – Allowances for Doubtful Accounts

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

General - accounts receivable	\$ -
Enterprise	8,474
	<u>\$ 8,474</u>

4. Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 40,467	\$ -	\$ -	\$ 40,467
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 40,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,467</u>
Capital assets being depreciated:				
Buildings	\$ 1,322,540	\$ -	\$ -	\$ 1,322,540
Vehicles, furniture and equipment	110,637	-	-	110,637
Total capital assets being depreciated	<u>\$ 1,433,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,433,177</u>
Less accumulated depreciation for:				
Buildings	\$ 152,173	\$ 33,250	\$ -	\$ 185,423
Vehicles, furniture and equipment	110,636	469	-	111,105
Total accumulated depreciation	<u>\$ 262,809</u>	<u>\$ 33,719</u>	<u>\$ -</u>	<u>\$ 296,528</u>
Total capital assets being depreciated, net	<u>\$ 1,170,368</u>			<u>\$ 1,136,649</u>
Governmental activity capital assets, net	<u>\$ 1,210,835</u>			<u>\$ 1,177,116</u>

Governmental-type depreciation expense was charged to:

Cultural and recreation	\$ 33,719
General government	-
Total Depreciation Expense	<u>\$ 33,719</u>

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

Capital asset activity for the Town's business-type activities for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 265,383	\$ -	\$ -	\$ 265,383
Construction in progress	1,316,007	439,745	774,962	980,790
Total capital assets				
not being depreciated	\$ 1,581,390	\$ 439,745	\$ 774,962	\$ 1,246,173
Capital assets being depreciated:				
Water and sewer systems	\$ 12,163,959	\$ 774,962	\$ 106,631	\$ 12,832,290
Less accumulated depreciation for:				
Water and sewer systems	3,893,984	277,552	-	4,171,536
Total capital assets				
being depreciated, net	\$ 8,269,975			\$ 8,660,754
Business-type activities capital assets	\$ 9,851,365			\$ 9,906,927

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

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

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.

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

Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. The Town of Elm City employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Elm City contractually required contribution rate for the year ended June 30, 2021, was 10.15% of compensation for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Elm City were \$4,547 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 \$26,801 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 asset was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension asset was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.00075%, which was a decrease of 0.00004% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the Town recognized pension expense of \$4,592. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,384	\$ -
Changes of assumptions	1,994	-
Net difference between projected and actual earnings on pension plan investments	3,771	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	11,415
Town contributions subsequent to the measurement date	4,547	-
Total	<u>\$ 13,696</u>	<u>\$ 11,415</u>

\$4,547 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2022	\$ (1,745)
2023	(352)
2024	(1,823)
2025	1,116
2026	-
Thereafter	-
	<u>\$ (2,804)</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

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

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, 2015 are summarized in the following table:

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

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 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.

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 54,376	\$ 26,801	\$ 3,884

b. Law Enforcement Officers Special Separation Allowances

The Town of Elm City had no law enforcement officers during the year.

2. Other Employment Benefits

The Town has also 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 month's salary in a row during the 24 months prior to the employee's death, but the benefit must be between \$25,000 and \$50,000. All death benefit payments are made from the Death Benefit Plan. The Town has no liability beyond the payment of monthly contributions. The Town's required contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

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

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows. Deferred outflows of resources at year-end are composed of the following elements:

Contributions to pension plan in current fiscal year	\$ 4,547
Pension deferrals	<u>9,149</u>
Total	<u><u>\$ 13,696</u></u>

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

Property taxes receivable (General Fund)	\$ 55,692
Pension deferrals	<u>11,415</u>
	<u><u>\$ 67,107</u></u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. 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. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

The Town is not deemed to be located in a flood zone and is not required to carry flood insurance.

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 finance officer is individually bonded for \$100,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

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

5. Long-Term Obligations

a. Governmental Activities

In September 2017, the Town entered into two installment financing contracts with USDA Rural Development to pay off an existing loan to Southern Bank for the Train Depot renovation. One loan was for \$711,500 at an interest rate of 3.75% for thirty years. The second loan was for \$460,000 at an interest rate of 2.875% for thirty years. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	23,092	10,743	12,349
2023	23,092	11,052	12,040
2024	23,092	11,369	11,723
2025	23,092	11,696	11,396
2026	23,092	12,032	11,060
2027-2031	115,460	65,553	49,907
2032-2036	115,460	75,535	39,925
2037-2041	115,460	87,035	28,425
2042-2046	115,460	103,172	12,288
2047-2051	43,269	41,353	1,916
	<u>\$ 620,569</u>	<u>\$ 429,540</u>	<u>\$ 191,029</u>

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	39,909	14,772	25,137
2023	39,909	15,326	24,583
2024	39,909	15,901	24,008
2025	39,909	16,497	23,412
2026	39,909	17,116	22,793
2027-2031	199,545	95,703	103,842
2032-2036	199,545	115,044	84,501
2037-2041	199,545	138,295	61,250
2042-2046	199,545	166,244	33,301
2047-2051	76,355	72,090	4,265
	<u>\$ 1,074,080</u>	<u>\$ 666,988</u>	<u>\$ 407,092</u>

b. Business-type Activities

During the year ended June 30, 2009, general obligation bonds were issued to finance the rehabilitation of the Town's sewer system and are being retired by resources reported as long-term debt in the Sewer Fund. The bonds were issued on March 1, 2008 and are due on June 1, 2047. The bonds bear interest at 4.375 percent. The town owes \$1,723,000 on these notes as of June 30, 2021. Future obligations are as follows:

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

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	111,763	38,000	73,763
2023	112,100	40,000	72,100
2024	112,350	42,000	70,350
2025	111,513	43,000	68,513
2026	111,631	45,000	66,631
2027-2031	558,831	257,000	301,831
2032-2036	558,450	318,000	240,450
2037-2041	559,457	395,000	164,457
2042-2046	529,226	458,000	71,226
2047-2051	52,188	50,000	2,188
	<u>\$ 2,817,509</u>	<u>\$ 1,686,000</u>	<u>\$ 1,131,509</u>

During the year ended June 30, 2008, the Town received a loan from the Division of Water Quality. The loan was for the total amount of \$444,125 with an interest rate of 2.265%. The loan will be repaid over twenty years with annual principal payments of \$22,206 and semi-annual interest payments of varying amounts. Future obligations under this note are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	25,726	22,206	3,520
2023	25,224	22,206	3,018
2024	24,720	22,206	2,514
2025	24,218	22,206	2,012
2026	23,212	22,206	1,006
2027-2031	22,711	22,208	503
	<u>\$ 145,811</u>	<u>\$ 133,238</u>	<u>\$ 12,573</u>

During the year ended June 30, 2021, the Town received a Sanitary Sewer general obligation bond to finance the rehabilitation of the Town's sewer system in the amount of \$1,087,000. The bonds were issued on July 7, 2021 and are due on June 1, 2050. The bonds bear interest at 4.00%. Future obligations are as follows:

<u>Year Ended</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2022	56,920	19,000	37,920
2023	56,160	19,000	37,160
2024	56,400	20,000	36,400
2025	55,600	21,000	34,600
2026	56,760	22,000	34,760
2027-2031	284,800	125,000	159,800
2032-2036	282,800	150,000	132,800
2037-2041	282,360	182,000	100,360
2042-2046	282,920	222,000	60,920
2047-2051	182,640	168,000	14,640
	<u>\$ 1,597,360</u>	<u>\$ 948,000</u>	<u>\$ 649,360</u>

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

6. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Installment purchases	\$ 1,152,088	\$ -	\$ 55,560	\$ 1,096,528	\$ 25,515
Net pension liability	19,596	4,525	-	24,121	-
Compensated absences	-	-	-	-	-
	<u>\$ 1,171,684</u>	<u>\$ 4,525</u>	<u>\$ 55,560</u>	<u>\$ 1,120,649</u>	<u>\$ 25,515</u>
Business-type activities:					
General obligation bonds	\$ 2,689,000	\$ -	\$ 55,000	\$ 2,634,000	\$ 57,000
Water quality loan	155,444	-	22,206	133,238	22,206
Net pension liability	2,158	522	-	2,680	-
Compensated absences	-	-	-	-	-
	<u>\$ 2,846,602</u>	<u>\$ 522</u>	<u>\$ 77,206</u>	<u>\$ 2,769,918</u>	<u>\$ 79,206</u>

At June 30, 2021, the Town had a legal debt margin of \$2,417,034.

7. Interfund Balances and Activities

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

Due to the General Fund:	
Water fund	\$ 53,310
Sewer fund	135,792
Sewer sprayfield expansion fund	233,715
Total	<u>\$ 422,817</u>

The interfund balances are a result of the Enterprise Funds not fully supporting themselves. The Sewer Capital Project Fund expenses through June 30, 2021 were \$233,715. The Town will be reimbursed these funds once construction starts.

8. Fund Balance

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

Total fund balance - General Fund	\$ 730,593
Less:	
Stabilization by State Statute	429,459
Streets-Powell Bill	77,998
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>223,136</u>

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

9. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital Assets	\$ 1,177,116	\$ 9,906,927
Less: Long-term debt	1,096,528	2,767,238
Net Investment in Capital Assets	<u>\$ 80,588</u>	<u>\$ 7,139,689</u>

IV. Related Party Transaction

The Town has participated in no related party transactions for the year ended June 30, 2021.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

VII. Subsequent Events

As of January 24, 2022, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Required Supplementary Financial Data

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

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

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Town of Elm City's proportion of the net pension liability (asset) (%)	0.00075%	0.00079%	0.00234%	0.00223%	0.00220%	0.20300%	0.00171%	16.00000%
Town of Elm City's proportion of the net pension liability (asset) (\$)	\$ 26,801	\$ 21,574	\$ 55,513	\$ 34,068	\$ 46,691	\$ 9,111	\$ (10,085)	\$ 19,286
Town of Elm City's covered-employee payroll	\$ 45,303	\$ 75,529	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033	\$ 85,600
Town of Elm City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.16%	28.56%	51.81%	33.78%	50.38%	11.03%	-11.59%	22.53%
Plan fiduciary net position as a percentage of the total pension liability	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

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

Local Government Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 4,547	\$ 4,055	\$ 5,854	\$ 8,036	\$ 7,312	\$ 6,181	\$ 5,840	\$ 6,154
Contributions in relation to the contractually required contributions	4,547	4,055	5,854	8,036	7,312	6,181	5,840	6,154
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town of Elm City's covered-employee payroll	\$ 44,801	\$ 45,303	\$ 75,529	\$ 107,148	\$ 100,861	\$ 92,674	\$ 82,600	\$ 87,033
Contributions as a percentage of covered- employee payroll	10.15%	8.95%	7.75%	7.50%	7.25%	6.67%	7.07%	7.07%

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes		\$ 496,812	
Penalties and interest		4,508	
Total	<u>\$ 499,863</u>	<u>\$ 501,320</u>	<u>\$ 1,457</u>
Unrestricted intergovernmental revenues:			
Local option sales tax		\$ 207,594	
Telecommunication sales tax		12,493	
Utility franchise tax		71,698	
Video programming		3,690	
Beer and wine tax		5,250	
Total	<u>\$ 249,541</u>	<u>\$ 300,725</u>	<u>\$ 51,184</u>
Restricted intergovernmental revenues:			
Powell bill allocation		\$ 35,838	
Solid waste disposal tax		468	
Total	<u>\$ 38,575</u>	<u>\$ 36,306</u>	<u>\$ (2,269)</u>
Sales and Services:			
Cemetery fees		\$ -	
Rents		13,822	
Solid waste and recycling collection		119,810	
Total	<u>\$ 161,181</u>	<u>\$ 133,632</u>	<u>\$ -</u>
Investment Earnings	<u>\$ 500</u>	<u>\$ 180</u>	<u>\$ (320)</u>
Miscellaneous	<u>\$ 3,500</u>	<u>\$ 13,292</u>	<u>\$ 9,792</u>
Total Revenues	<u>\$ 953,160</u>	<u>\$ 985,455</u>	<u>\$ 32,295</u>

Continued

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

Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Administrative			
Salaries and employee benefits		\$ 96,291	
Professional services		34,977	
Supplies		2,199	
Telephone and utilities		4,976	
Insurance		23,670	
Dues and subscriptions		3,774	
Other operating expenditures		33,318	
Capital outlay		-	
Total General Government	<u>\$ 223,135</u>	<u>\$ 199,205</u>	<u>\$ 23,930</u>
Public Safety:			
Police			
Contracted services		\$ 132,587	
Other operating expenditures		3,454	
Total Police		<u>\$ 136,041</u>	
Fire and rescue squad			
Operating expenses		\$ 10,315	
Total Public Safety	<u>\$ 147,413</u>	<u>\$ 146,356</u>	<u>\$ 1,057</u>
Transportation:			
Contracted services		\$ -	
Powell bill expenditures		-	
Other expenditures		-	
Street lights		19,916	
Total Transportation	<u>\$ 158,252</u>	<u>\$ 19,916</u>	<u>\$ 138,336</u>

Continued

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

Continued

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Environmental Protection			
Operating expenditures		\$ 260,089	
Capital outlay		-	
Total Environmental Protection	<u>\$ 262,836</u>	<u>\$ 260,089</u>	<u>\$ 2,747</u>
Cultural and recreation:			
Operating expenditures		\$ 40,035	
Library:			
Operating expenditures		11,549	
Train Depot:			
Operating expenditures		8,921	
Total Cultural and Recreation	<u>\$ 67,524</u>	<u>\$ 60,505</u>	<u>\$ 7,019</u>
Debt service:			
Principal retirement		\$ 55,560	
Interest		38,310	
Total Debt Service	<u>\$ 94,000</u>	<u>\$ 93,870</u>	<u>\$ 130</u>
Total Expenditures	<u>\$ 953,160</u>	<u>\$ 779,941</u>	<u>\$ 173,219</u>
Revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 205,514</u>	<u>\$ 205,514</u>
Other financing sources (uses):			
Loan proceeds	\$ -	\$ -	\$ -
Transfer of funds	-	-	-
Fund balance appropriated	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ 205,514</u></u>	<u><u>\$ 205,514</u></u>
Fund Balances			
Beginning of year		525,079	
Prior period adjustments and correction of errors		-	
End of year		<u><u>\$ 730,593</u></u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services		\$ 247,953	
Other operating revenues		23,540	
Total Operating Revenues	<u>\$ 270,000</u>	<u>\$ 271,493</u>	<u>\$ 1,493</u>
Non-operating revenues:			
Miscellaneous revenue		10,000	
Total Revenues	<u>\$ 247,007</u>	<u>\$ 281,493</u>	<u>\$ 34,486</u>
Expenditures			
Water:			
Contract services		\$ 139,381	
Supplies		39,036	
Other operating expenditures		66,083	
Total Expenditures	<u>\$ 270,000</u>	<u>\$ 244,500</u>	<u>\$ 25,500</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 36,993</u>	<u>\$ 26,993</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds		\$ -	
Miscellaneous revenue		-	
Total Other Financing Sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 36,993</u>	<u>\$ 36,993</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		<u>\$ 36,993</u>	
Reconciling items:			
Capital outlay		-	
(Increase) decrease in accrued vacation pay		-	
Depreciation		-	
Capital contributions		-	
Total Reconciling Items		<u>\$ -</u>	
Change in Net Position		<u>\$ 36,993</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for services		\$ 395,787	
Other operating revenues		21,453	
Total operating revenues	\$ 417,376	\$ 417,240	\$ (136)
Non-operating revenues:			
Other revenues	400,000	-	(400,000)
Total Revenues	\$ 817,376	\$ 417,240	\$ (400,136)
Expenditures			
Sewer:			
Contract services		\$ 139,381	
Supplies		27,812	
Other operating expenditures		79,261	
Total	\$ 250,000	\$ 246,454	\$ 3,546
Debt Service			
Principal		\$ 77,206	
Interest		117,542	
Total Debt Service	\$ 195,000	\$ 194,748	\$ 252
Capital Outlay	\$ 372,376	\$ 333,114	\$ 39,262
Total Expenditures	\$ 817,376	\$ 774,316	\$ 43,060
Revenues Over (Under) Expenditures	\$ -	\$ (357,076)	\$ (357,076)
Other Financing Sources (Uses)			
Transfers from (to) other funds	\$ -	\$ -	\$ -
Fund balance appropriated	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (357,076)	\$ (357,076)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues and Other Sources Over Expenditures and Other Uses		\$ (357,076)	
Reconciling items:			
Depreciation		(277,552)	
Capital outlay		333,114	
Principal retirement		77,206	
Capital contributions		439,745	
Total Reconciling Items		\$ 572,513	
Change in Net Position		\$ 215,437	

Town of Elm City, North Carolina
Sewer Capital Projects Fund - Disaster Assistance Recovery
Schedule of Revenues, Expenditures, And Changes
In Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

		Actual			
	Project Authorization	Prior Year	Current Year	Total To Date	Variance - Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Disaster Assistance Recovery	\$ 1,000,000	\$ 100,000	\$ 396,075	\$ 496,075	\$ 503,925
Interest income	-	228	-	228	228
Total	<u>\$ 1,000,000</u>	<u>\$ 100,228</u>	<u>\$ 396,075</u>	<u>\$ 496,303</u>	<u>\$ 504,153</u>
Expenditures					
Disaster recovery	<u>\$ 1,000,000</u>	<u>\$ 71,629</u>	<u>\$ 424,674</u>	<u>\$ 496,303</u>	<u>\$ 503,697</u>
Total Expenditures	<u>\$ 1,000,000</u>	<u>\$ 71,629</u>	<u>\$ 424,674</u>	<u>\$ 496,303</u>	<u>\$ 503,697</u>
Excess (deficit) of revenues over					
(under) expenditures	<u>\$ -</u>	<u>\$ 28,599</u>	<u>\$ (28,599)</u>	<u>\$ -</u>	<u>\$ 1,007,850</u>

Town of Elm City, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues, Expenditures, And Changes
In Fund Balance - Budget and Actual
From Inception and For the Year Ended June 30, 2021

		Actual			
	Project Authorization	Prior Year	Current Year	Total To Date	Variance - Positive (Negative)
Revenues					
Restricted intergovernmental revenues					
Town contribution	\$ 45,000	\$ -	\$ -	\$ -	\$ (45,000)
Grant-State Reserve	3,000,000	190,045	43,670	233,715	(2,766,285)
Total revenues	<u>\$ 3,045,000</u>	<u>\$ 190,045</u>	<u>\$ 43,670</u>	<u>\$ 233,715</u>	<u>\$ (2,811,285)</u>
Expenditures					
Construction	\$ 2,302,727	\$ 164,015	\$ 38,810	\$ 202,825	\$ 2,099,902
Administration	512,000	26,030	4,860	30,890	481,110
Contingency	230,273	-	-	-	230,273
Total expenditures	<u>\$ 3,045,000</u>	<u>\$ 190,045</u>	<u>\$ 43,670</u>	<u>\$ 233,715</u>	<u>\$ 2,811,285</u>
Excess (deficit) of revenues over					
(under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information on property taxes.

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

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

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 494,613	\$ 478,814	15,799
2019-2020	21,022	-	11,591	9,431
2018-2019	10,738	-	4,765	5,973
2017-2018	8,270	-	2,212	6,058
2016-2017	4,006	-	506	3,500
2015-2016	3,735	-	351	3,384
2014-2015	2,977	-	117	2,860
2013-2014	2,831	-	29	2,802
2012-2013	2,906	-	15	2,891
2011-2012	2,994	-	-	2,994
2010-2011	2,803	-	2,803	-
Total	\$ 62,282	\$ 494,613	\$ 501,203	\$ 55,692

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 501,320
Reconciling items:	
Interest collected	(4,508)
Discounts, write-offs and releases	4,391
Total collections and credits	<u>\$ 501,203</u>

Town of Elm City
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2021

	Town - Wide		Total Levy		
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	<u>\$ 78,510,000</u>	0.63	\$ 494,613	\$ 424,657	\$ 69,956
Uncollected taxes at June 30, 2021			15,799	15,799	-
Current year's taxes collected			<u>\$ 478,814</u>	<u>\$ 408,858</u>	<u>\$ 69,956</u>
Current levy collection percentage			<u>96.81%</u>	<u>96.28%</u>	<u>100.00%</u>



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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 Members of the Board of Commissioners
Town of Elm City
Elm City, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Elm City as of and for the year ended June 30, 2021, the related notes to the financial statements, which collectively comprise the Town of Elm City's basic financial statements, and have issued my report thereon dated January 24, 2022.

Internal Control over Financial Reporting

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

My consideration of internal control was for 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. However, as described in the accompanying schedule of findings and questioned costs, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs listed as Findings 2021-002 and 2021-003 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and questioned costs listed as Finding 2021-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Elm City's financial statements are free of material misstatement, I 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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

Town of Elm City's responses to the finding identified in my audit is described in the accompanying schedule of finding and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink, reading "Gregory T. Audman, CPA". The signature is written in a cursive, flowing style.

Tarboro, North Carolina
January 24, 2022

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses X yes none reported

Noncompliance material to financial statements noted yes X no

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

Significant Deficiency

Finding 2021-001 Segregation of Duties

Criteria or specific requirement: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is lack of segregation of duties among Town personnel.

Cause: There are limited number of personnel for certain functions.

Effect: Transactions could be mishandled.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: The Town agrees with this finding. We have hired a new Town Administrator and Finance Officer. The Board will provide any allowed assistance.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

Material Weakness

Finding 2021-002 Late Submission of Audit

Criteria: The Town is required to submit the audit report to the Local Government Commission by October 31 following the year end of June 30.

Condition: The audit report for the year ended June 30, 2021 was due to the Local Government Commission by October 31, 2021. The audit report was not submitted to the Local Government Commission until January 31, 2022.

Cause: The yearend accounting and documents, as well as a reconciled bank account, required for an audit were not prepared in a timely fashion. The Town recently hired a new Finance Officer and Town Administrator. They have hired an outside accountant to assist with the yearend accounting.

Effect: Audit reports completed a year after the June 30 year end do not provide useful information to management, the Board, lenders, and the Local Government Commission.

Recommendation: The Board should remain diligent in expecting and receiving timely financial information from the staff and the outside accountant. Management should constantly monitor the financial information and be aware of whether reporting deadlines are met.

Repeat Finding: Yes

Views of responsible officials and planned corrective actions: Management is aware that the accounting records were not prepared timely in order to receive a timely audit. The Board has already become more involved and will hold the staff and accountant accountable for timely financial information.

**Town of Elm City
Elm City, North Carolina
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II – Financial Statement Findings

Material Weakness

Finding 2021-003 Cash Management

Criteria: Enterprise Funds should be able to sustain themselves through user fees. Management should manage revenues and expenses to maintain the operations of each fund in a fiscally responsible manner.

Condition: The major enterprise funds of the Town had a negative unrestricted net position as follows:

- Water Fund – (\$6,742)
- Sewer Fund – (\$56,867)

The Water and Sewer Fund of the Town continues to operate at a net loss. Losses for the last three years are as follows:

2021	(\$79,773)
2020	(\$81,532)
2019	(\$69,810)

Cause: Due the Enterprise Funds inability to fund their own operations without borrowing money from the General Fund, the financial stability of all funds has been compromised.

Effect: The Town's negative unrestricted net position in these funds limits the operations of the fund and its flexibility to budget and pay for routine and unexpected expenses.

Recommendation: Management must pursue all means necessary to increase revenues and reduce expenses in an effort to improve Cash Management.

Repeat Finding: No

Views of responsible officials and planned corrective actions: The Town agrees with this finding. See Corrective Active Plan.

TOWN OF ELM CITY

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Corrective Action Plan For the Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding 2021-001

Segregation of Duties

Name of Contact Person:

Shameshia Fennell
Finance Officer

Corrective Action:

We have hired additional staff that has financial experience. In addition, the Board and fee accountant will assist to increase the segregation of duties.

Proposed Completion Date:

Immediately

Finding 2021-002

Late Submission of Audit

Name of Contact Person:

Shameshia Fennell
Finance Officer

Corrective Action:

Management has stressed the importance of timely records. Management and the finance officer will work together to make sure that financial records are up to date and the finance officer will prepare timely records for the year ended June 30, 2022.

Proposed Completion Date:

June 30, 2022

TOWN OF ELM CITY

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Corrective Action Plan For the Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding 2021-003

Cash Management

Name of Contact Person:

Shameshia Fennell
Finance Officer

Corrective Action:

To address the Water and Sewer fund deficit and the amount owed to the General Fund, the Board approved a rate schedule change at the regular scheduled Board meeting on January 11, 2022, in which it received a unanimous vote. This change in the rate schedule is projected to bring in additional revenues of \$8,000 per month for the Water Fund and \$13,000 per month for the Sewer Fund for Fiscal Year 2022. With a full year of this (FY23) it is estimated to bring in additional revenues of \$100,000 for the Water Fund and \$150,000 for the Sewer Fund.

Proposed Completion Date:

Immediately

**Town of Elm City
Elm City, North Carolina
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2021**

Finding 2020-001	Segregation of Duties
Status:	Repeat finding
Finding 2020-002	Preparation of Financial Statement
Status:	Corrected
Finding 2020-003	Late Submission of Audit
Status:	Repeat finding
Finding 2020-004	Cash Management
Status:	Repeat finding
Finding 2020-005	Prior Period Adjustment
Status:	Corrected
Finding 2020-006	Expenditures Exceeded Authorized Budget
Status:	Corrected