

REVIEWED

By SLGFD at 8:43 am, Jan 24, 2022

Town of Fair Bluff, North Carolina

Report of Independent Certified Public Accountants

Financial Statements and Schedules

For the Fiscal Year Ended

June 30, 2021

Billy W. Hammond, Mayor

Commissioners

Lester Drew, Mayor Pro Tempore

Randy Britt

Clarice Vereen Faison

Kathy Ashley

Ralph McCoy

Al Leonard, Jr., Town Planner

Peggy Moore, Town Clerk/Finance Officer

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June 30, 2021

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Financial Section

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Enterprise Funds**



Patterson & Associates, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of CPAs
NC Association of CPAs

Independent Auditor's Report

November 1, 2021

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

**Independent Auditor's Report
For the Year Ending
June 30, 2021**

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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 6 to the financial statements, effective July 1, 2020, the entity adopted new accounting guidance promulgated in GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on page 49, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on page 50 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Independent Auditor's Report
For the Year Ending
June 30, 2021**

Supplementary and Other Information

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

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, 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*, we have also issued our report dated November 1, 2021, on our consideration of Town of Fair Bluff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fair Bluff's internal control over financial reporting and compliance.

Patterson & Associates, PLLC

Lumberton, NC

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis
June 30, 2021

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

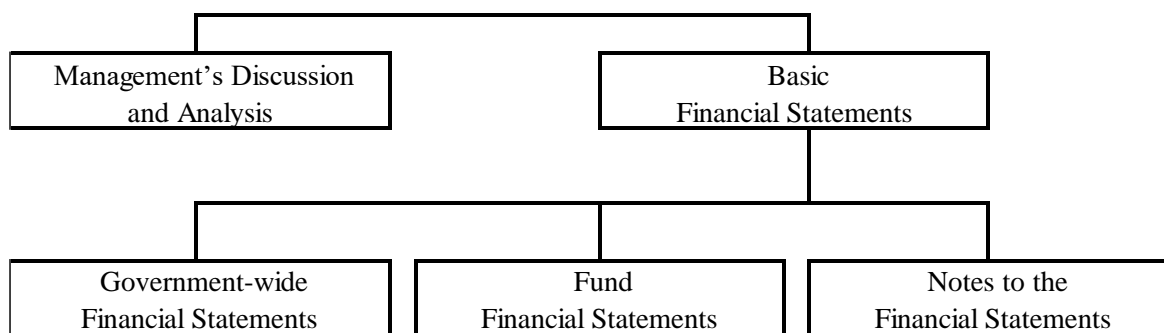
Financial Highlights

- The assets and deferred outflows of resources of the Town of Fair Bluff exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$13,043,547 (net position).
- The government's total net position increased by \$2,403,396, primarily due to operating grants in the proprietary fund and local option sales tax in the governmental fund.
- As of the close of the current fiscal year, the Town of Fair Bluff's governmental funds reported combined ending fund balances of \$1,254,705. Approximately 39.27% percent of this total amount, or \$492,675, is available for spending at the government's discretion, known as unreserved fund balance. This unreserved fund balance represents 20.33% of total general fund expenditures for the fiscal year.
- The Town of Fair Bluff's legal debt limit is \$3,562,735, which is 8.00% of the Town's assessed property tax valuation of \$44,534,184. The total legal indebtedness of the Town is \$723,320, which represents 1.62% of assessed property valuation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Fair Bluff'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 Fair Bluff.

Required Components of the Annual Financial Report



Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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 it has changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring Net Position is one way to gauge the Town's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the Town's basic services such as general administration, public safety, and streets and highways. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Fair Bluff.

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 Fair Bluff, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Fair Bluff can be divided into two categories: governmental funds and proprietary funds.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental Funds

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

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

Proprietary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Fair Bluff's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 48 of this report.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Government-Wide Financial Analysis

The Town of Fair Bluff's Net Position

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets and deferred outflows of resources						
Total current assets	\$ 2,088,340	\$ 2,126,067	\$ 295,659	\$ 332,529	\$ 2,383,999	\$ 2,458,596
Capital assets	2,292,121	1,808,975	10,017,456	7,834,098	12,309,577	9,643,073
Deferred outflows of resources	92,105	68,051	-	-	92,105	68,051
Total assets and deferred outflows of resources	4,472,566	4,003,093	10,313,115	8,166,627	14,785,681	12,169,720
Liabilities and deferred inflows of resources						
Long term liabilities	147,042	107,463	-	-	147,042	107,463
Other liabilities	989,316	702,686	110,117	81,602	1,099,433	784,288
Deferred inflows of resources	487,321	606,820	8,338	30,998	495,659	637,818
Total liabilities and deferred inflows of resources	1,623,679	1,416,969	118,455	112,600	1,742,134	1,529,569
Net position						
Net investment in capital assets	2,292,121	1,808,975	10,017,456	7,834,098	12,309,577	9,643,073
Restricted	762,030	1,293,962	-	-	762,030	1,293,962
Undesignated	(205,264)	(516,813)	177,204	219,929	(28,060)	(296,884)
Total net position	\$ 2,848,887	\$ 2,586,124	\$10,194,660	\$ 8,054,027	\$13,043,547	\$10,640,151

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Fair Bluff exceeded liabilities and deferred inflows of resources by \$13,043,547 as of June 30, 2021. The Town's Net Position increased by \$2,403,396 for the fiscal year ended June 30, 2021.

However, the largest portion of the Town's net position (94.37%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The Town of Fair Bluff uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fair Bluff's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of net position, \$762,030, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of - \$28,060 may be used to meet the Town's ongoing obligations to the citizens and creditors.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Governmental activities

Town of Fair Bluff Changes in Net Position

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 114,715	\$ 119,862	\$ 286,949	\$ 371,634	\$ 401,664	\$ 491,496
Operating grants	114,756	350,096	-	-	114,756	350,096
Capital grants	2,691,876	2,374,999	2,370,640	984,596	5,062,516	3,359,595
General revenues:						
Property taxes	277,492	269,607	-	-	277,492	269,607
Other taxes and licenses	311,219	317,394	-	-	311,219	317,394
Investment earnings	745	113	-	-	745	113
Other	53,954	505,117	25,534	19,806	79,488	524,923
Total revenues	3,564,757	3,937,188	2,683,123	1,376,036	78,357,241	73,111,945
Expenses:						
Administration	1,253,226	1,559,509	-	-	1,253,226	1,559,509
Public works	44,539	109,345	-	-	44,539	109,345
Police and fire department	235,695	257,329	-	-	235,695	257,329
Visitor's Center	90,886	30,000	-	-	90,886	30,000
Planning and inspections	91,272	15,304	-	-	91,272	15,304
Street department	76,430	61,998	-	-	76,430	61,998
Sanitation	128,081	86,029	-	-	128,081	86,029
Economic and physical develop	1,381,865	1,472,571	-	-	1,381,865	1,472,571
Water and sewer	-	-	542,490	518,214	542,490	518,214
Total expenses	3,301,994	3,592,085	542,490	518,214	75,332,474	69,875,541
Increase in net position before transfers	262,763	345,103	2,140,633	857,822	2,403,396	1,202,925
Transfers	-	(86,885)	-	86,885	-	-
Increase in net position	262,763	258,218	2,140,633	944,707	2,403,396	1,202,925
Net position, July 1	2,586,124	2,328,019	8,054,027	7,109,320	10,640,151	9,437,339
Net position, June 30	\$ 2,848,887	\$ 2,586,237	\$10,194,660	\$ 8,054,027	\$13,043,547	\$10,640,264

Governmental activities increased the Town's net position by \$262,763. Key elements of this increase are Local Option Sales Tax and Ad Valorem taxes.

Business type activities' increased the Town's net position by \$2,140,633. Operating revenues increased by \$1,307,087 and operating expenses increased by \$24,276, respectively. Key elements of this change are an increase in capital grant contributions revenues and an increase in depreciation expense.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Financial Analysis of the Town of Fair Bluff's Funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town of Fair Bluff'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 Fair Bluff. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$492,675, while total fund balance reached \$554,705. 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 20.33% of total General Fund expenditures.

At June 30, 2021, the governmental funds of the Town of Fair Bluff reported a combined fund balance of \$1,254,705, a decrease of \$222,243 from last year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the governmental wide financial statements, but in more detail.

Unrestricted net position in the Water and Sewer Fund increased by \$2,140,633 from the prior fiscal year. This was due mainly to increased funding in capital grants.

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.

Revenues were more than the budgeted amounts primarily because Local Option Sales Tax and Ad Valorem taxes were higher than expected. Expenditures increased primarily due to administration costs cuts. See page 19 for a detailed comparison of original budgeted amounts to final budgeted amounts.

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 \$177,204. The total change in net position was \$2,140,633. This increase is a result of increased capital contributions and increased depreciation expense.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

Capital Asset and Debt Administration

Capital Assets

The Town of Fair Bluff's investment in capital assets for its governmental and business-type activities as of June 30, 2021, is summarized below. These assets include land, buildings, distribution systems, and construction in progress. Major capital asset transactions during the year include the following:

- Governmental activities addition to land of \$422,185.
- Governmental activities addition to equipment of \$136,414 (tractor, dump truck, boom mower) and vehicles of \$37,200 (truck and used SUV).
- Business Type activities addition to plant and distribution of \$1,687,618 from work in progress and an increase in work in progress of \$2,370,640.

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 528,730	\$ 106,545	\$ 10,626	\$ 10,626	\$ 539,356	\$ 117,171
Buildings	1,381,709	1,411,959	190,455	194,544	1,572,164	1,606,503
Infrastructure	124,494	133,803	-	-	124,494	133,803
Plant and distribution		-	7,445,735	5,941,310	7,445,735	5,941,310
Equipment and vehicles	257,188	156,668	-	-	257,188	156,668
Work in progress		-	2,370,640	1,687,618	2,370,640	1,687,618
Total	\$ 2,292,121	\$ 1,808,975	\$10,017,456	\$ 7,834,098	\$12,309,577	\$ 9,643,073

Additional information on the Town's capital assets can be found starting on page 33 in the Notes to the Financial Statements.

Long-term Debt

As of June 30, 2021, the Town of Fair Bluff had long term debt outstanding of \$870,362. Of this debt, none is backed by the full faith and credit of the Town of Fair Bluff.

Town of Fair Bluff's Outstanding Debt

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Line of credit	\$ 700,000	\$ 700,000	\$ -	\$ -	\$ 700,000	\$ 700,000
DEQ Loan	-	-	23,320	-	23,320	-
Pension related debt (LGRS)	83,618	73,735	-	-	83,618	73,735
Pension related debt (LEO)	63,424	33,728	-	-	63,424	33,728
Total	\$ 847,042	\$ 807,463	\$ 23,320	\$ -	\$ 870,362	\$ 807,463

The Town of Fair Bluff's total debt increased by \$62,899 during the past fiscal year due to increases in pension related debt and a new DEQ Loan.

Town of Fair Bluff, North Carolina
Management's Discussion and Analysis (continued)
June 30, 2021

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 Town of Fair Bluff is \$3,562,735. The Town of Fair Bluff does not have any authorized but unissued debt at June 30, 2021.

Additional information pertaining to the Town of Fair Bluff's long-term debt can be found starting on page 45 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Rates

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

- The Town of Fair Bluff's property tax rate remains the same at \$.65 per \$100.
- Occupancy rates on office and retail space in the Town remain stable.
- There are no proposed adjustments for rates and fees in the 2021-2022 FY Budget.
- Unemployment rates remain constant.

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:

Peggy Moore
Finance Officer
Town of Fair Bluff
Post Office Box 157
Fair Bluff, North Carolina 28439

Basic Financial Statements

Town of Fair Bluff, North Carolina
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental	Business	
Assets	Activities	Type	Total
		Activities	
Current assets			
Cash and cash equivalents	\$ 837,868	\$ 168,474	\$ 1,006,342
Ad Valorem taxes, net	56,894	-	56,894
Interest receivable	17,711	-	17,711
Accounts receivable - net	7,971	31,970	39,941
Due from other governments	558,837	39,147	597,984
Due from other funds	-	2,420	2,420
Restricted cash and cash equivalents	609,059	53,648	662,707
Total current assets	2,088,340	295,659	2,383,999
Capital assets			
Land and other non-depreciable assets	528,730	2,381,265	2,909,995
Other capital assets, net of depreciation	1,763,391	7,636,191	9,399,582
Total capital assets	2,292,121	10,017,456	12,309,577
Total assets	4,380,461	10,313,115	14,693,576
Deferred Outflows of Resources			
Pension deferral (LGRS)	38,381	-	38,381
Pension deferral (LEOSSA)	28,578	-	28,578
Contributions to OPEB plan in current fiscal year	25,146	-	25,146
Total deferred outflows of resources	92,105	-	92,105

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

Town of Fair Bluff, North Carolina
Statement of Net Position (continued)
June 30, 2021

	Primary Government		
	Governmental	Business	
Liabilities	Activities	Type	Total
		Activities	
Current liabilities			
Accounts payable and accrued liabilities	286,896	-	286,896
Due to other funds	2,420	-	2,420
Customer deposits	-	86,797	86,797
Current portion of long-term liabilities	700,000	23,320	723,320
Total current liabilities	989,316	110,117	1,099,433
Long-term liabilities			
Net pension liability (LGERS)	83,618	-	83,618
Net pension liability (LEOSSA)	63,424	-	63,424
Total long term liabilities	147,042	-	147,042
Total liabilities	1,136,358	110,117	1,246,475
Deferred Inflows of Resources			
Deferred revenue	469,713	8,338	478,051
Pension deferral (LGERS)	839	-	839
Pension deferral (LEOSSA)	16,769	-	16,769
Total deferred inflows of resources	487,321	8,338	495,659
Net Position			
Net investment in capital assets	2,292,121	10,017,456	12,309,577
Restricted for:			
Stabilization by State Statute	62,030	-	62,030
Capital projects	700,000	-	700,000
Unrestricted	(205,264)	177,204	(28,060)
Total net position	\$ 2,848,887	\$ 10,194,660	\$ 13,043,547

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

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

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
Administration	\$ 1,253,226	\$ 40,657	\$ -	\$ -	\$ (1,212,569)	\$ -	\$ (1,212,569)
Public works	44,539	-	-	-	(44,539)	-	(44,539)
Police department	235,695	-	-	-	(235,695)	-	(235,695)
Visitor's Center	90,886	-	78,803	-	(12,083)	-	(12,083)
Planning and inspections	91,272	-	-	-	(91,272)	-	(91,272)
Street department	76,430	-	35,953	-	(40,477)	-	(40,477)
Sanitation	128,081	74,058	-	-	(54,023)	-	(54,023)
Economic and physical development	1,381,865	-	-	2,691,876	1,310,011	-	1,310,011
Total governmental activities	3,301,994	114,715	114,756	2,691,876	(380,647)	-	(380,647)
Business type activities							
Water and Sewer	542,490	286,949	-	2,370,640	-	2,115,099	2,115,099
Total business type activities	542,490	286,949	-	2,370,640	-	2,115,099	2,115,099
Total primary government	\$ 3,844,484	\$ 401,664	\$ 114,756	\$ 5,062,516	(380,647)	2,115,099	1,734,452
General revenues and transfers							
Ad Valorem taxes					277,492	-	277,492
Other taxes and licenses					311,219	-	311,219
Investment earnings					745	113	858
Miscellaneous					53,954	25,421	79,375
Total general revenues and transfers					643,410	25,534	668,944
Change in net position					262,763	2,140,633	2,403,396
Net position, beginning					2,586,124	8,054,027	10,640,151
Net position, ending					\$ 2,848,887	\$ 10,194,660	\$ 13,043,547

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

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

	<u>Major Fund</u>	<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Governmental Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 837,868	\$ -	\$ 837,868
Sanitation receivable, net	7,971	-	7,971
Due from other governments	54,059	504,778	558,837
Due from other funds	-	249,900	249,900
Cash - restricted	107,895	501,164	609,059
Total assets	\$ 1,007,793	\$ 1,255,842	\$ 2,263,635
<u>Liabilities</u>			
<u>Liabilities</u>			
Accounts payable and accrued liabilities	\$ 155,220	\$ 131,677	\$ 286,897
Due to other funds	252,320	-	252,320
Total liabilities	407,540	131,677	539,217
<u>Deferred Inflows of Resources</u>			
Deferred grants	45,548	174,265	219,813
Total deferred inflows of resources	45,548	174,265	219,813
<u>Fund Balances</u>			
Restricted - Stabilization by State Statute	62,030	-	62,030
Assigned, subsequent year's expenditures	-	700,000	700,000
Unassigned	492,675	-	492,675
Total fund balances	554,705	700,000	1,254,705
Total liabilities, deferred inflows of resources and fund balances	\$ 1,007,793	\$ 1,005,942	\$ 2,013,735

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

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

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

Total Fund Balance, Governmental Funds	\$ 1,254,705
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Gross capital assets at historical cost	2,974,143	
Accumulated depreciation	<u>(682,022)</u>	
	2,292,121	2,292,121

Deferred outflows of resources that are not reported in the funds:

Pension deferral (LGERS)	38,381	
Pension deferral (LEOSSA)	28,578	
Contributions to OPEB plan in current fiscal year	<u>25,146</u>	
	<u>92,105</u>	92,105

Other long-term assets are not available to pay for current period expenditures and are therefore deferred:

Accrued interest, taxes	<u>17,711</u>	17,711
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Deferred inflows of resources that are not reported in the funds:

Ad valorem taxes	56,894	
Pension deferrals	<u>(17,608)</u>	
	<u>39,286</u>	39,286

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds:

Rounding	1	
Net pension liability (LGERS)	(83,618)	
Net pension liability (LEOSSA)	(63,424)	
Line of credit, current portion	<u>(700,000)</u>	
	<u>(847,041)</u>	<u>(847,041)</u>

Net position of governmental activities	<u>\$ 2,848,887</u>
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The notes to the financial statements are an integral part of this statement.

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

	Major Fund	Non-Major	Total
	General	Governmental	Governmental
Revenues		Funds	Funds
Ad valorem taxes	\$ 263,539	\$ -	\$ 263,539
Other taxes and licenses	45	-	45
Unrestricted intergovernmental	311,174	1,320,757	1,631,931
Restricted intergovernmental	1,485,875	-	1,485,875
Permits and fees	40,657	-	40,657
Sales and services	74,058	-	74,058
Investment earnings	745	-	745
Miscellaneous	53,954	-	53,954
Total revenues	2,230,047	1,320,757	3,550,804
Expenditures			
Current:			
Administration	1,194,406	-	1,194,406
Public works	40,480	-	40,480
Police department	218,990	-	218,990
Visitor's Center	90,886	-	90,886
Planning and inspections	91,272	-	91,272
Street department	58,468	-	58,468
Sanitation	128,081	-	128,081
Economic and physical development	31,991	1,349,874	1,381,865
Capital outlay	568,599	-	568,599
Total expenditures	2,423,173	1,349,874	3,773,047
Excess (deficiency) of revenues over expenditures	(193,126)	(29,117)	(222,243)
Total other financing sources (uses)	-	-	-
Net change in fund balances	(193,126)	(29,117)	(222,243)
Fund balances, beginning	747,831	729,117	1,476,948
Fund balances, ending	\$ 554,705	\$ 700,000	\$ 1,254,705

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

Town of Fair Bluff, North Carolina

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

For the Fiscal Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of net

Net changes in fund balances - total governmental funds \$ (222,243)

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:

Capital outlay expenditures which were capitalized	568,599	
Depreciation expense for governmental assets	<u>(85,453)</u>	
	<u>483,146</u>	483,146

Contributions to the pension plan in the current fiscal year are not
included on the Statement of Activities

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

Change in unavailable revenue for tax revenues	<u>13,953</u>	
	<u>13,953</u>	13,953

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.

Pension deferrals	<u>(12,093)</u>	
	<u>(12,093)</u>	<u>(12,093)</u>

Total changes in net position of governmental activities		<u>\$ 262,763</u>
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The notes to the financial statements are an integral part of this statement.

Town of Fair Bluff, North Carolina

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

General Fund

For the Fiscal Year Ended June 30, 2021

	General Fund			Variance with
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Positive
Revenues				(Negative)
Ad valorem taxes	\$ 249,630	\$ 257,780	\$ 263,539	\$ 5,759
Other taxes and licenses	30	-	45	45
Unrestricted intergovernmental	283,466	330,462	311,174	(19,288)
Restricted intergovernmental	184,925	1,454,435	1,485,875	31,440
Permits and fees	15,410	36,190	40,657	4,467
Sales and services	62,664	67,733	74,058	6,325
Investment earnings	390	695	745	50
Miscellaneous	19,070	57,871	53,954	(3,917)
Total revenues	815,585	2,205,166	2,230,047	24,881
Expenditures				
Current:				
General government				
Administration	283,754	1,310,743	1,194,406	116,337
Public works	50,096	46,776	40,480	6,296
Police department	258,012	294,768	218,990	75,778
Visitor's Center	92,847	94,107	90,886	3,221
Planning and inspections	15,000	91,272	91,272	-
Street department	55,767	94,433	58,468	35,965
Sanitation	127,109	128,206	128,081	125
Economic and physical development	-	32,000	31,991	9
Capital outlay	10,000	568,599	568,599	-
Total general government	892,585	2,660,904	2,423,173	237,731
Fund balance appropriated	77,000	455,738		(455,738)
Net change in fund balances	\$ -	\$ -	(193,126)	\$ (193,126)
Fund balances, beginning			747,831	
Fund balances, ending			\$ 554,705	

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

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

	Water and Sewer Fund
<u>Assets</u>	
Cash and cash equivalents	\$ 168,474
Accounts receivable - net	31,970
Due from other governments	39,147
Due from other funds	2,420
Restricted cash and cash equivalents	53,648
Total current assets	<u>295,659</u>
Capital assets	
Non depreciable assets	2,381,265
Other capital assets, net of depreciation	7,636,191
Total capital assets	<u>10,017,456</u>
Total non-current assets	<u>10,017,456</u>
Total assets	<u>10,313,115</u>
<u>Liabilities</u>	
Current liabilities	
Customer deposits	86,797
Current portion - long-term liabilities	23,320
Total current liabilities	<u>110,117</u>
Total liabilities	<u>110,117</u>
<u>Deferred Inflows of Resources</u>	
Deferred grant	8,338
Total deferred inflows of resources	<u>8,338</u>
<u>Net Position</u>	
Net investment in capital assets	10,017,457
Unrestricted	177,203
Total net position	<u>\$ 10,194,660</u>

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

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

	<u>Water and Sewer Fund</u>
Operating revenues	
Charges for services	\$ 286,949
Other operating revenue	<u>12,961</u>
Total operating revenues	<u>299,910</u>
Operating expenses	
Utilities	262,716
Maintenance and repairs	16,450
Department supplies	27,586
Contracted services	40,520
Sewer charges	4,012
Other operating expenditures	3,925
Depreciation and amortization	<u>187,281</u>
Total operating expenses	<u>542,490</u>
Operating income (loss)	<u>(242,580)</u>
Non-operating revenues (expenses)	
Other non-operating revenue (expense)	12,460
Interest expense	<u>113</u>
Total non-operating revenues (expenses)	<u>12,573</u>
Income (loss) before contributions and transfers	(230,007)
Contributions and transfers	
Capital contributions	<u>2,370,640</u>
Total contributions and transfers	<u>2,370,640</u>
Change in net position	2,140,633
Total net position, beginning	<u>8,054,027</u>
Total net position, ending	<u><u>\$ 10,194,660</u></u>

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

Town of Fair Bluff, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Operating Activities	
Cash received from customers	\$ 274,161
Cash paid to suppliers	(355,209)
Miscellaneous income	<u>12,961</u>
Net cash provided (used) by operating activities	<u>(68,087)</u>
Noncapital Financing Activities	
Due to (from) other funds	(2,420)
Transfers from other funds	<u>12,460</u>
Net cash provided (used) by noncapital financing activities	<u>10,040</u>
Capital And Related Financing Activities	
Loan proceeds	23,320
Principal paid on capital debt	(30,998)
Deferred grant proceeds	8,338
Capital grants	2,370,640
Acquisition of capital assets	<u>(2,370,640)</u>
Net cash provided (used) by capital and related financing activities	<u>660</u>
Investing Activities	
Interest earnings	<u>113</u>
Net cash provided (used) by investing activities	<u>113</u>
Net increase (decrease) in cash and cash equivalents	(57,274)
Cash and cash equivalents	
Beginning of period	<u>279,396</u>
End of period	<u><u>\$ 222,122</u></u>

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

Town of Fair Bluff, North Carolina
Statement of Cash Flows (continued)
Proprietary Funds
For the Fiscal Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ (242,580)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	187,281
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(17,984)
Increase (decrease) in	
Increase (decrease) in customer deposits	5,196
Total adjustments	<u>174,493</u>
Net cash provided (used) by operating activities	<u><u>\$ (68,087)</u></u>

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

Notes to the Financial Statements

Town of Fair Bluff, North Carolina
Notes to the Financial Statements
June 30, 2021

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Fair Bluff, North Carolina (the Town) and its discretely presented component unit conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Statements

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

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

Fund Financial Statements

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

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Town reports the following major governmental fund:

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

The Town reports the following non-major enterprise funds:

State Legislation Fund – This represents a total grant of \$6 million to redevelop downtown Fair Bluff and repair damage caused by Hurricanes Matthew and Floyd.

NCORR Grant Fund – This represents a total grant of \$500,000 to cover waste water treatment costs, payroll, and other costs.

Hazard Mitigation Grant Project Fund – This grant is to assist with acquisition, elevation, and reconstruction of homes destroyed during Hurricane Matthew.

The Town reports the following major enterprise funds:

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

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.

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

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's enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental Fund Financial Statements

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina.

Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the Water and Sewer Capital Projects Fund, which are consolidated with the operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the department level for all annually budgeted funds and at the project level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change departmental appropriations. The governing board must approve all amendments.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. Non-participating interest earning investment contracts are accounted for at cost. The NCCMT- Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT Term Portfolio is a bond fund, has no rating and is measured at fair value. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

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.

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

Ad Valorem Taxes Receivable

In accordance with State laws [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.

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.

Inventory and Prepaid Items

The Town does not maintain inventory.

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. Due to very limited capital asset acquisitions, minimum capitalization costs are \$500 for all items. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015, are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. There were no general infrastructure assets acquired prior to July 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized.

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

Asset Class	<u>Estimated Useful Lives</u>
Infrastructure	25 years
Buildings	50 years
Improvements	25 years
Vehicles	5 years
Furniture and fixtures	10 years
Computer equipment	3 years

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

Deferred outflows/inflows of resources

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

Long-Term Obligations

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

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

Compensated Absences

Full-time employees of the Town earn five days' vacation per calendar year, while department heads of the Town earn ten days' vacation per calendar year. This vacation leave is considered fully vested when earned. However, the vacation policies for the Town do not provide for accumulation of earned vacation leave. Due to the small number of employees and the limitations of vacation accumulation, the current portion of the accumulated vacation is not considered material, therefore, no expenditure or liability has been reported.

The Town's sick leave policies provide for the accumulation of earned sick leave up to eighteen (18) days. 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 purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

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

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity (continued)

Net Position/Fund Balances (continued)

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

Assigned fund balance – This portion of fund balance represents the amount the Town intends to use for specific purposes.

Subsequent year’s expenditures – This portion of fund balance is appropriated in the next year’s budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

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

The Town has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

Defined Benefit Cost-Sharing Plans

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 2 - Stewardship, Compliance, and Accountability

For the fiscal year ended June 30, 2020, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for Administration by \$256,175. During fiscal year ended June 30, 2021, the Town did not have over-expenditures of budgeted dollars. Management and the Board will continue to closely review the budget reports to ensure compliance in future years.

Note 3 - Detailed Notes on All Funds

A. Assets

Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in 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 covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of state statute G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,669,049 and a bank balance of \$1,568,772. Of the bank balance, \$418,515 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method.

At June 30, 2021, the Town had petty cash on hand totaling \$300.

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds

A. Assets

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:

Allowance for uncollectible accounts for:	General Fund	Water and Sewer Fund	Total
Property taxes	\$ 16,297	\$ -	\$ 16,297
Accounts receivable	1,700	6,000	7,700
Total	<u>\$ 17,997</u>	<u>\$ 6,000</u>	<u>\$ 23,997</u>

Capital Assets

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 106,545	\$ 422,185	\$ -	\$ 528,730
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>106,545</u>	<u>422,185</u>	<u>-</u>	<u>528,730</u>
Capital assets being depreciated				
Buildings	1,512,462	-	-	1,512,462
Equipment and vehicles	553,832	146,414	-	700,246
Infrastructure	232,705	-	-	232,705
Total capital assets being depreciated	<u>2,298,999</u>	<u>146,414</u>	<u>-</u>	<u>2,445,413</u>
Less accumulated depreciation				
Buildings	(100,503)	(30,249)	-	(130,752)
Equipment and vehicles	(397,164)	(45,896)	-	(443,060)
Infrastructure	(98,902)	(9,308)	-	(108,210)
Total accumulated depreciation	<u>(596,569)</u>	<u>(85,453)</u>	<u>-</u>	<u>(682,022)</u>
Total capital assets being depreciated, net	<u>1,702,430</u>	<u>60,961</u>	<u>-</u>	<u>1,763,391</u>
Governmental activity capital assets, net	<u>\$ 1,808,975</u>	<u>\$ 483,146</u>	<u>\$ -</u>	<u>\$ 2,292,121</u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds

A. Assets

Capital Assets (continued)

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

Administration	\$ 50,786
Police	16,705
Street department	<u>17,962</u>
Total depreciation expense	<u>\$ 85,453</u>

<u>Water and Sewer Fund</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets				
not being depreciated				
Land	\$ 10,626	\$ -	\$ -	\$ 10,626
Work in progress	<u>1,687,618</u>	<u>683,021</u>	<u>-</u>	<u>2,370,639</u>
Total capital assets				
not being depreciated	<u>1,698,244</u>	<u>683,021</u>	<u>-</u>	<u>2,381,265</u>
Capital assets being depreciated				
Plant and distribution system	8,359,807	1,687,618	-	10,047,425
Buildings and improvements	204,424	-	-	204,424
Equipment	<u>188,865</u>	<u>-</u>	<u>-</u>	<u>188,865</u>
Total capital assets				
being depreciated	<u>8,753,096</u>	<u>1,687,618</u>	<u>-</u>	<u>10,440,714</u>
Less accumulated depreciation				
Plant and distribution system	(2,418,497)	(183,193)	-	(2,601,690)
Buildings and improvements	(9,880)	(4,088)	-	(13,968)
Equipment	<u>(188,865)</u>	<u>-</u>	<u>-</u>	<u>(188,865)</u>
Total accumulated depreciation	<u>(2,617,242)</u>	<u>(187,281)</u>	<u>-</u>	<u>(2,804,523)</u>
Water and Sewer Fund				
capital assets, net	<u>\$ 7,834,098</u>	<u>\$ 2,183,358</u>	<u>\$ -</u>	<u>\$10,017,456</u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities

Pension Plan Obligations

Local Governmental Employees' Retirement System

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

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

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town 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's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town were \$12,562 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 \$83,618 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020, utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension 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, 2021, the Town's proportion was 0.00234% which was an increase of 0.00036% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$33,182. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,560	\$ -
Changes of assumptions	6,223	-
Net difference between projected and actual earnings on plan investments	11,767	-
Change in proportion and differences between contributions and proportionate share of contributions	9,831	839
Employer contributions subsequent to the measurement date	25,146	-
	<u>\$ 63,527</u>	<u>\$ 839</u>

\$25,146 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 13,395
2023	12,336
2024	8,329
2025	3,482
2026	-
Thereafter	-
	<u>\$ 37,542</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 Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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, 2020 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	<u>100.0%</u>	

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Local Governmental Employees' Retirement System (continued)

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)	\$ 169,652	\$ 83,618	\$ 12,118

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

Law Enforcement Officers Special Separation Allowance

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

Retirees receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	3
Total	<u><u>3</u></u>

Summary of Significant Accounting Policies

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

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

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	2.98 percent

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

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

Contributions

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

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

At June 30, 2021, the Town reported a total pension liability of \$63,424. The total pension liability was measured as of December 31, 2020, based on a December 31, 2019, actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020, utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$4,059.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,846	\$ 15,807
Changes of assumptions	<u>26,732</u>	<u>962</u>
	<u><u>\$ 28,578</u></u>	<u><u>\$ 16,769</u></u>

\$0 paid as benefits came due subsequent to the measurement date has been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	
2022	\$ 1,291
2023	1,291
2024	1,250
2025	3,210
2026	4,719
Thereafter	<u>48</u>
	<u><u>\$ 11,809</u></u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

Sensitivity of the Town's total pension liability to changes in the discount rate. The following presents the Town's total pension liability calculated using the discount rate of 1.93 percent, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (.93 percent) or 1-percentage-point higher (2.93 percent) than the current rate:

	1% Decrease (0.93%)	Current Discount Rate (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 67,154	\$ 63,424	\$ 59,883

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

	2021
Beginning balance	\$ 33,728
Service Cost	1,668
Interest on the total pension liability	1,100
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(2,684)
Changes of assumptions or other inputs	29,612
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u>\$ 63,424</u>

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

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Pension Plan Obligations (continued)

Law Enforcement Officers Special Separation Allowance (continued)

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

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

	LGERS	LEOSSA	Total
Pension expense	\$ 33,182	4,059	\$ 37,241
Pension liability	83,618	63,424	147,042
Proportionate share of the net pension liability	0.00234%	n/a	
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 10,560	1,846	12,406
Changes of assumptions	6,223	26,732	32,955
Net difference between projected and actual earnings on plan investments	11,767	-	11,767
Change in proportion and differences between contributions and proportionate share of contributions	9,831	-	9,831
Employer contributions subsequent to the measurement date	25,146	-	25,146
Deferred Inflows of Resources			
Differences between expected and actual experience	-	15,807	15,807
Changes of assumptions	-	962	962
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	839	-	839

Supplemental Retirement Income Plan for Law Enforcement Officers

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

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Supplemental Retirement Income Plan for Law Enforcement Officers (continued)

Funding Policy. Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. The law enforcement officers may also make voluntary contributions to the plan.

The Town made contributions of \$7,723 for the reporting year. No amounts were forfeited.

Other Post-Employment Benefits

Plan Description. Under the terms of a Town resolution, the Town's policy provides that retirees may participate in the Town's healthcare plan. However, the retirees will 100% of the cost of their insurance. The Town has chosen not to have an actuarial study performed because the liability is considered to be immaterial.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources at year end is comprised of the following:

Deferred Outflows of Resources

Differences between expected and actual experience	\$	12,406
Changes of assumptions		32,955
Net difference between projected and actual earnings on plan investments		11,767
Change in proportion and differences between contributions and proportionate share of contributions		9,831
Employer contributions subsequent to the measurement date		25,146
	\$	<u>92,105</u>

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 15,807	\$ -
Changes of assumptions	962	-
Changes in proportion and differences between contributions and proportionate share of contributions	839	-
Deferred revenue	478,051	45,548
	<u>\$ 495,659</u>	<u>\$ 45,548</u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

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 one self-funded risk-financing pools administered by a private insurance agency. Through his pool, the Town obtains employee health insurance coverage up to \$2 million lifetime. The pool is reinsured for annual employee health claims in excess of \$150,000.

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

In accordance with state statute 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 and tax collector are performance bonded in the amounts of \$50,000 and \$50,000, respectively.

Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town did not have any litigation pending.

Long-Term Obligations

The North Carolina Office of Recovery and Resiliency has provided the Town a loan in the form of a line of credit in the amount of \$2,000,000. This principal only line of credit does not carry interest charges or administrative fees and has a term of three years. On March 14, 2019, \$700,000 was disbursed to the Town for expenditures related to activities allowed by the loan documents. The Town also received a loan of \$23,320 from the NC Department of Environment Quality. This loan was paid back in full in July 2021. At June 30, 2021, the Town had a legal debt margin of \$3,562,735. Changes in long term liabilities at June 30, 2021, consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities					
General Fund					
Line of credit	\$700,000	\$ -	\$ -	\$700,000	\$700,000
Net pension liability (LGERS)	73,735	9,883	-	83,618	-
Net pension liability (LEO)	33,728	29,696	-	63,424	-
Total	<u>\$807,463</u>	<u>\$ 39,579</u>	<u>\$ -</u>	<u>\$847,042</u>	<u>\$700,000</u>
Business Type Activities					
Water and Sewer Fund					
DEQ Loan	\$ -	\$ 23,320	\$ -	\$ 23,320	\$ 23,320
Total	<u>\$ -</u>	<u>\$ 23,320</u>	<u>\$ -</u>	<u>\$ 23,320</u>	<u>\$ 23,320</u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 3 - Detailed Notes on All Funds (continued)

B. Liabilities (continued)

Interfund Balances

At June 30, 2021, the Town reported interfund balances of the following:

	General Fund	NCORR Grant Fund	Water and Grant Fund	Total
General Fund	\$ -	\$ (249,900)	\$ (2,420)	\$ (252,320)
NCORR Grant Fund	249,900	-	-	249,900
Water and Sewer Fund	2,420	-	-	2,420
	<u>\$ 252,320</u>	<u>\$ (249,900)</u>	<u>\$ (2,420)</u>	<u>\$ -</u>

C. Net Investment in Capital Assets

The calculation for Net Investment in Capital Assets is shown as follows:

<u>Assets</u>	Governmental Activities	Business Type Activities	Total
Capital assets			
Land and non-depreciable assets	\$ 528,730	\$ 2,381,265	\$ 2,909,995
Other capital assets, net of depreciation	1,763,391	7,636,191	9,399,582
Total capital assets	<u>2,292,121</u>	<u>10,017,456</u>	<u>12,309,577</u>
<u>Liabilities and Adjustments</u>			
Related liabilities	-	-	-
Total liabilities and adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 2,292,121</u>	<u>\$10,017,456</u>	<u>\$12,309,577</u>

D. Fund Balance

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

	Major Fund General	Non-Major Funds	Total Governmental Funds
Restricted - Stabilization by State Statute	\$ 62,030	\$ -	\$ 62,030
Assigned, subsequent year's expenditures	-	700,000	700,000
Unassigned	492,675	-	492,675
Total fund balances	<u>\$ 554,705</u>	<u>\$ 700,000</u>	<u>\$ 1,254,705</u>

Town of Fair Bluff, North Carolina
Notes to the Financial Statements (continued)
June 30, 2021

Note 4 – Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant 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 monies.

Note 5 – Subsequent Events

In preparing these statements, the Town has evaluated events and transactions for potential disclosure through November 1, 2021, the date the financial statements were issued.

Note 6 - Change in Accounting Principle

The Town implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities effective July 1, 2020. The statement establishes criteria for identifying fiduciary activities of all state and local governments and provides guidance on how to report fiduciary activities within the financial statements. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement also describes four fiduciary funds that should be reported if criteria outlined in the statement are met: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The use of agency funds was eliminated. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources.

As part of implementing the statement, the Town performed a comprehensive review of its fiduciary relationships and applied the criteria within the guidance. As a result, the Town determined no material modifications to the enclosed financial statements were necessary.

Required Supplementary Financial Data

- **Schedule of Proportionate Share of Net Pension Liability (Asset) for Local Government Employees' Retirement System**
- **Schedule of Contributions to Local Government Employees' Retirement System**

Town of Fair Bluff, North Carolina
Required Supplemental Financial Data
Local Government Employees' Retirement System
June 30, 2021

Schedule of Proportionate

Share of Net Pension Liability (Asset)	2021	2020	2019	2018	2017	2016	2015	2014
Fair Bluff's proportion of the Net pension liability (asset) (%)	0.00234%	0.00270%	0.00220%	0.00308%	0.00185%	0.00408%	0.00317%	0.00360%
Net pension liability (asset) (\$)	\$ 83,618	\$ 73,735	\$ 52,192	\$ 47,054	\$ 3,926	\$ 18,311	\$ (18,695)	\$ 43,394
Fair Bluff's covered-employee payroll	\$235,724	\$224,645	\$182,811	\$184,879	\$200,651	\$211,789	\$201,388	\$200,831
Net pension liability (asset) as a percentage of its covered-employee payroll	35.47%	32.82%	28.55%	25.45%	1.96%	8.65%	-9.28%	21.61%
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%

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

<u>Schedule of Employer Contributions</u>	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 25,146	\$ 21,880	\$ 18,191	\$ 16,689	\$ 22,613	\$ 17,690	\$ 19,223	\$ 23,704
Contributions in relation to the contractually required contribution	25,146	21,880	18,191	16,689	22,613	17,690	19,223	23,704
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fair Bluff's covered-employee payroll	\$267,527	\$235,724	\$224,645	\$182,811	\$184,879	\$200,651	\$211,789	\$201,388
Contributions as a percentage of covered-employee payroll	9.40%	9.28%	8.10%	9.13%	12.23%	8.82%	9.08%	11.77%

Town of Fair Bluff, North Carolina
Required Supplemental Financial Data
Schedule of Changes in Total Pension Liability
June 30, 2021

Law Enforcement Officers' Special Separation Allowance	2021	2020	2019	2018	2017
Beginning balance of the total pension liability	\$ 33,728	\$ 27,589	\$ 50,588	\$ 42,217	\$ 38,875
Service cost	1,668	1,908	1,860	2,591	3,343
Interest on the total pension liability	1,100	1,004	1,599	1,630	1,388
Differences between expected and actual experience in the measurement of the total pension liability	(2,684)	2,318	(25,441)	612	-
Changes of assumptions or other inputs	29,612	909	(1,017)	3,538	(1,389)
Ending balance of the total pension liability	<u>\$ 63,424</u>	<u>\$ 33,728</u>	<u>\$ 27,589</u>	<u>\$ 50,588</u>	<u>\$ 42,217</u>

**Schedule of Changes in Total Pension Liability
as a Percentage of Covered Payroll**

	2021	2020	2019	2018	2017
Total pension liability	\$ 63,424	\$ 33,728	\$ 27,589	\$ 50,588	\$ 42,217
Covered payroll	116,295	111,505	101,335	134,220	142,978
Total pension liability as a percentage of covered payroll	54.54%	30.25%	27.23%	37.69%	29.53%

Notes to the schedules:

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

Detailed Financial Statements and Schedules

- **Major Governmental Funds – General Fund**

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

- **Non Major Governmental Funds – Special Revenue Funds**

Combining Balance Sheet – Non Major Governmental Funds – Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non Major Governmental Funds – Special Revenue Funds

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - NCORR Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - Hazard Mitigation Grant Fund

- **Enterprise Funds – Water and Sewer Fund**

Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual - Water and Sewer Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - From Inception - 2014 CDBG-I Program Fund

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

			Variance Positive (Negative)
Revenues	Budget	Actual	
Ad Valorem Taxes			
Taxes	\$	\$ 263,539	\$
Interest		-	
Total	<u>257,780</u>	<u>263,539</u>	<u>5,759</u>
Other taxes and licenses			
Privilege license and fees		45	
Total	<u>-</u>	<u>45</u>	<u>45</u>
Unrestricted intergovernmental			
Utility franchise tax		42,614	
Telecommunications tax		4,389	
Local option sales tax		257,909	
Beer, wine, and video tax		6,262	
Total	<u>330,462</u>	<u>311,174</u>	<u>(19,288)</u>
Restricted intergovernmental			
Powell bill		35,952	
Federal and state grants		1,449,923	
Total	<u>1,454,435</u>	<u>1,485,875</u>	<u>31,440</u>
Permits and fees			
Inspection fees		31,917	
Miscellaneous		8,740	
Total	<u>36,190</u>	<u>40,657</u>	<u>4,467</u>
Sales and service			
Sanitation		74,058	
Total	<u>67,733</u>	<u>74,058</u>	<u>6,325</u>
Investment earnings			
General fund		101	
Powell bill		644	
Total	<u>695</u>	<u>745</u>	<u>50</u>
Miscellaneous revenue			
Rent, Visitor's Center		12,000	
Insurance proceeds		8,072	
Other		33,882	
Total miscellaneous revenues	<u>57,871</u>	<u>53,954</u>	<u>(3,917)</u>
Total revenues	<u>2,205,166</u>	<u>2,230,047</u>	<u>24,831</u>

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

			Variance Positive (Negative)
Expenditures	Budget	Actual	
Administration			
Salaries and benefits		116,979	
Operating expenditures		1,077,427	
Total administration	1,310,743	1,194,406	116,337
Public works			
Salaries and benefits		-	
Operating expenditures		40,480	
Total public works	46,776	40,480	6,296
Police department			
Salaries and benefits		163,956	
Operating expenditures		55,034	
Total police department	294,768	218,990	75,778
Visitor's Center			
Salaries and benefits		-	
Operating expenditures		90,886	
Total Visitor's Center	94,107	90,886	3,221
Planning and inspections			
Operating expenditures		91,272	
Total planning and inspections	91,272	91,272	-
Street department			
Salaries and benefits		34,244	
Operating expenditures		24,224	
Total street department	94,433	58,468	35,965
Sanitation			
Salaries and benefits		62,204	
Operating expenditures		65,877	
Total sanitation	128,206	128,081	125
Economic and physical development			
Operating expenditures		31,991	
Total Economic and physical development	32,000	31,991	9
Capital outlay			
Operating expenditures		568,599	
Total capital outlay	568,599	568,599	-
Total expenditures	2,660,904	2,423,173	237,731

Town of Fair Bluff, North Carolina

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

General Fund

For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Total revenues	2,205,166	2,230,047	24,831
Total expenditures	<u>2,660,904</u>	<u>2,423,173</u>	<u>237,731</u>
Revenues over (under) expenditures	(455,738)	(193,126)	(212,900)
Fund balance appropriated	<u>455,738</u>	<u>-</u>	<u>(455,738)</u>
Net change in fund balances	<u>\$ -</u>	(193,126)	<u>\$ (668,638)</u>
Fund balances, beginning		<u>747,831</u>	
Fund balance, ending		<u>\$ 554,705</u>	

Town of Fair Bluff, North Carolina
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2021

	Special Revenue Funds			
	State Legislation Fund	NCORR Grant Fund	Hazard Mitigation Grant Project Fund	Total Special Revenue Funds
<u>Assets</u>				
Due from other governments	\$ -	\$ -	\$ 504,778	\$ 504,778
Due from general fund	-	249,900	-	249,900
Restricted cash and cash equivalents	-	174,265	326,899	501,164
Total assets	\$ -	\$ 424,165	\$ 831,677	\$ 1,255,842
<u>Liabilities and Fund Balances</u>				
<u>Liabilities</u>				
Accounts payable and accrued liabilities from restricted assets	\$ -	\$ -	\$ 131,677	\$ 131,677
Deferred revenue	-	424,165	-	424,165
Total liabilities	-	424,165	131,677	555,842
<u>Fund Balances</u>				
Designated for subsequent years' expenditures	-	-	700,000	700,000
Total fund balances	-	-	700,000	700,000
Total liabilities and fund balances	\$ -	\$ 424,165	\$ 831,677	\$ 1,255,842

Town of Fair Bluff, North Carolina
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2021

	Special Revenue Funds			
	State Legislation Fund	NCORR Grant Fund	Hazard Mitigation Grant Project Fund	Total Special Revenue Funds
Revenue				
Restricted intergovernmental	\$ -	\$ 75,835	\$ 1,244,922	\$ 1,320,757
Total revenue	<u>-</u>	<u>75,835</u>	<u>1,244,922</u>	<u>1,320,757</u>
Expenditures				
Economic & physical development	29,017	75,935	1,244,922	1,349,874
Total expenditures	<u>29,017</u>	<u>75,935</u>	<u>1,244,922</u>	<u>1,349,874</u>
Revenue over (under) expenditures	<u>(29,017)</u>	<u>(100)</u>	<u>-</u>	<u>(29,117)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(29,017)</u>	<u>(100)</u>	<u>-</u>	<u>(29,117)</u>
Fund balance, beginning	<u>29,017</u>	<u>100</u>	<u>700,000</u>	<u>729,117</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>

Town of Fair Bluff, North Carolina**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception - NCORR Grant Fund
For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
State grants	\$ 500,000	\$ -	\$ 75,835	\$ 75,835	\$ (424,165)
Total revenue	<u>500,000</u>	<u>-</u>	<u>75,835</u>	<u>75,835</u>	<u>(424,165)</u>
Expenditures					
Salaries and employee benefits	250,000	-	-	-	(250,000)
Other expenditures	250,000	-	75,935	75,935	(174,065)
Total expenditures	<u>500,000</u>	<u>-</u>	<u>75,935</u>	<u>75,935</u>	<u>(424,065)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(100)</u>	<u>(100)</u>	<u>(100)</u>
Other financing sources (uses)					
Transfers out					
General Fund	-	100	-	100	100
Total other financing sources (uses)	<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>	<u>100</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 100</u>	<u>(100)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning			<u>100</u>		
Fund balances, ending			<u>\$ -</u>		

Town of Fair Bluff, North Carolina**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception - Hazard Mitigation Grant Fund
For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
Federal grants	\$ 8,290,786	\$ 1,651,980	\$ 1,244,922	\$ 2,896,902	\$ (5,393,884)
Total revenue	<u>8,290,786</u>	<u>1,651,980</u>	<u>1,244,922</u>	<u>2,896,902</u>	<u>(5,393,884)</u>
Expenditures					
Economic & physical development					
Other expenditures	8,290,786	1,652,030	1,244,922	2,896,952	(5,393,834)
Total expenditures	<u>8,290,786</u>	<u>1,652,030</u>	<u>1,244,922</u>	<u>2,896,952</u>	<u>(5,393,834)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(50)</u>	<u>-</u>	<u>(50)</u>	<u>(50)</u>
Other financing sources (uses)					
Transfers in					
General Fund	-	50	-	50	50
Loan proceeds	<u>-</u>	<u>700,000</u>	<u>-</u>	<u>700,000</u>	<u>700,000</u>
Total other financing sources (uses)	<u>-</u>	<u>700,050</u>	<u>-</u>	<u>700,050</u>	<u>700,050</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 700,000</u>	<u>-</u>	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Fund balances, beginning			<u>700,000</u>		
Fund balances, ending			<u>\$ 700,000</u>		

Town of Fair Bluff, North Carolina**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual****Water and Sewer Fund****For the Fiscal Year Ended June 30, 2021**

			Variance Positive (Negative)
Revenues	Budget	Actual	
Operating revenue			
Charges for services	\$	\$ 286,949	\$
Reconnection fees		6,884	
Penalties and interest		5,024	
Other operating revenue		1,053	
Total operating revenues	<u>278,013</u>	<u>299,910</u>	<u>21,897</u>
Other revenues			
Investment earnings		113	
Miscellaneous		12,460	
Total other revenues	<u>157,614</u>	<u>12,573</u>	
Total revenues	<u>435,627</u>	<u>312,483</u>	<u>21,897</u>
Operating expenditures			
Utilities		262,716	
Maintenance and repairs		16,450	
Department supplies		27,586	
Contracted services		40,520	
Sewer charges		4,012	
Other operating expenditures		3,925	
Total operating expenditures	<u>435,627</u>	<u>355,209</u>	<u>80,418</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>435,627</u>	<u>355,209</u>	<u>80,418</u>
Revenues over (under) expenditures	<u>-</u>	<u>(42,726)</u>	<u>(42,726)</u>

Town of Fair Bluff, North Carolina**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual****Water and Sewer Fund****For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues over (under) expenditures	\$ -	\$ (42,726)	\$ (42,726)
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(42,726)</u>	<u>\$ (42,726)</u>

Reconciliation from budgetary basis to full accrual**Reconciling items**

Capital contributions	\$ 2,370,640
Depreciation	<u>(187,281)</u>
Total reconciling items	<u>2,183,359</u>
Change in net position	<u>\$ 2,140,633</u>

Town of Fair Bluff, North Carolina**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
From Inception - 2014 CDBG-I Program Fund
For the Fiscal Year Ended June 30, 2021**

	Project Authorization	Prior Years	Current Year	Totals to Date	Variance Positive (Negative)
Revenues					
Restricted intergovernmental					
Federal grants	\$ 5,000,000	\$4,410,446	\$1,860,389	\$6,270,835	\$ 1,270,835
State grants	750,000	200,000	510,251	710,251	(39,749)
Investment earnings	-	7	-	7	7
Miscellaneous revenue	-	139	-	139	139
Total revenue	<u>5,750,000</u>	<u>4,610,592</u>	<u>2,370,640</u>	<u>6,981,232</u>	<u>1,231,232</u>
Expenditures					
Economic & physical development					
Sewer improvements & rehab	5,450,000	4,606,097	2,370,640	6,976,737	1,526,737
Adminstration	300,000	30,542	-	30,542	(269,458)
Total expenditures	<u>5,750,000</u>	<u>4,636,639</u>	<u>2,370,640</u>	<u>7,007,279</u>	<u>1,257,279</u>
Revenues over (under) expenditures	<u>-</u>	<u>(26,047)</u>	<u>-</u>	<u>(26,047)</u>	<u>(26,047)</u>
Other financing sources (uses)					
Transfers in					
Water and Sewer Fund	-	145	-	145	145
General Fund	-	86,885	-	86,885	86,885
Transfers out					
Water and Sewer Fund	-	(10,924)	-	(10,924)	(10,924)
General Fund	-	(28,484)	-	(28,484)	(28,484)
Total other financing sources (uses)	<u>-</u>	<u>47,622</u>	<u>-</u>	<u>47,622</u>	<u>47,622</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ 21,575</u>	<u>-</u>	<u>\$ 21,575</u>	<u>\$ 21,575</u>
Fund balances, beginning			<u>21,575</u>		
Fund balances, ending			<u>\$ 21,575</u>		

Other Schedules

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

Town of Fair Bluff, North Carolina
Schedule of Current Tax Levy
For the Fiscal Year Ended June 30, 2021

	Valuation	Rate per \$100	Amount of Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy					
Property taxed at current year's rate	\$ 44,534,184	\$ 0.65	\$ 289,472	\$ 261,733	\$ 27,739
Penalties	-	0.65	-	-	-
Total original levy	<u>44,534,184</u>		<u>289,472</u>	<u>261,733</u>	<u>27,739</u>
Discoveries					
Current year's taxes	-	0.65	-	-	-
Penalties	-	0.65	-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Releases and errors					
Current year's rate	-	0.65	-	-	-
Total property valuation	<u>\$ 44,534,184</u>				
Net levy			289,472	261,733	27,739
Uncollected tax at June 30, 2021			<u>42,427</u>	<u>42,427</u>	<u>-</u>
Current year taxes, collections and credits			<u>\$ 247,045</u>	<u>\$ 219,306</u>	<u>\$ 27,739</u>
Percent current year collected			<u>85.34%</u>	<u>83.79%</u>	<u>100.00%</u>

Town of Fair Bluff, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2021

First Year of Levy	Uncollected Balance July 1, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2021	\$ -	\$ 289,472	\$ 247,045	\$ 42,427
2020	8,868	-	724	8,144
2019	4,961	-	1,360	3,601
2018	5,198	-	1,417	3,781
2017	2,514	688	-	3,202
2016	1,948	504	-	2,452
2015	1,889	-	-	1,889
2014	3,080	-	1,197	1,883
2013	6,345	-	4,748	1,597
2012	9,189	-	7,048	2,141
2011	9,949	-	9,949	-
	<u>\$ 53,941</u>	<u>\$ 290,664</u>	<u>\$ 273,488</u>	71,117
Less allowance for uncollectible ad valorem taxes receivable				<u>14,223</u>
Ad valorem taxes, net				<u><u>\$ 56,894</u></u>

**Reconciliation of collections and credits
with ad valorem tax revenues**

Revenue, ad valorem taxes	\$ 263,539
Barred by State statute	<u>9,949</u>
Total collections and credits	<u><u>\$ 273,488</u></u>

Compliance Section



Patterson & Associates, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of CPAs

NC Association of CPAs

**Report On Internal Control Over Financial Reporting And On Compliance and
Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Fair Bluff, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Town of Fair Bluff's basic financial statements, and have issued our report thereon dated November 1, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Fair Bluff's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters⁶ that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Patterson & Associates, PLLC

Lumberton, North Carolina
November 1, 2021



Patterson & Associates, PLLC
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NC Association of CPAs

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

Independent Auditor's Report

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Patterson & Associates, PLLC

Lumberton, North Carolina
November 1, 2021



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

Independent Auditor's Report

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

To the Honorable Mayor and
the Board of Commissioners
Fair Bluff, North Carolina

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Patterson & Associates, PLLC

Lumberton, North Carolina
November 1, 2021

Town of Fair Bluff, North Carolina
Schedule of Findings and Questioned Costs
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? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported
- Noncompliance material to financial statements noted _____ yes x no

Federal Awards

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of major federal programs:

<u>CFDA No.</u>	<u>Names of Federal Program or Cluster</u>
14.228	Community Development Block Grant
14.218	CDBG – Neighborhood Revitalization

Dollar threshold used to distinguish between Type A and Type B Programs

\$ 750,000

Auditee qualified as low-risk auditee? _____ yes x no

State Awards

State Legislature Grant
Wastewater Treatment Assistance
State Revolving Funds – Disaster Recovery
Hazard Mitigation Grant

Town of Fair Bluff, North Carolina
Schedule of Findings and Questioned Costs
June 30, 2021

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Section IV – State Award Findings and Questioned Costs

None reported.

Town of Fair Bluff, North Carolina
Corrective Action Plan
June 30, 2021

Not applicable.

Town of Fair Bluff, North Carolina
Summary Schedule of Prior Year Audit Findings
June 30, 2021

The following audit findings were noted for the year ended June 30, 2020.

Finding: 2020-001

Criteria – Duties should be segregated to provide reasonable assurance that transactions are handled properly.

Condition – There is a lack of segregation of duties among Town personnel.

Effect – Transactions could be mishandled.

Cause – There is a limited number of personnel to complete certain functions.

Identification of a repeat finding – This is a repeat finding from the immediate previous audit, 2020-1.

Recommendation – Duties should be segregated as much as possible. Alternative controls should be used to compensate for lack of controls. The governing board should provide some of these controls.

Finding: 2020-002

Criteria – G.S. 159-28(a) states that no obligation may be incurred in a function accounted for in a fund included in the budget ordinance unless the budget ordinance includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current year.

Condition – The expenditures made in the Town's General Fund for Administration exceeded the authorized appropriations made in the annual budget by \$256,175.

Effect – Monies were spent that had not been obligated and appropriated.

Cause – The Town expended more than had been budgeted for in the budget ordinance and a budget amendment was not adopted.

Recommendation – Before an obligation is to incur that will exceed the amount that was previously approved in the budget ordinance, an amendment to the budget should be adopted.

Town of Fair Bluff, North Carolina
Schedule of Expenditures of Federal and State Awards
June 30, 2021

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- through Grantor Number	Federal Expenditures	State Expenditures	Local Expenditures
<u>US Department of Housing and Urban Development</u>					
Passed through the NC Department of Environmental Quality					
Community Development Block Grant	14.228		\$ 1,584,562	\$ -	\$ -
Capitalization Grants for Clean Water					
State Revolving Funds					
NC Clean Water Revolving Loan & Grant	E-SAP-T-16-0009		-	69,959	-
Disaster Recovery	E-SAP-W-17-009		-	394,289	-
Water Well	H-SAP-D-17-0014		-	22,683	-
Connect NC Bond	E-SRP-W-17-0037		-	23,320	-
Passed through the NC Department of Commerce					
Community Development Block Grant					
Neighborhood Revitalization	14.228		275,827	-	-
Total			<u>1,860,389</u>	<u>510,251</u>	<u>-</u>
<u>US Department of Homeland Security</u>					
Passed through the NC Department of Public Safety					
Division of Emergency Management					
Hazard Mitigation Grant	97.039		933,692	311,230	-
Total			<u>933,692</u>	<u>311,230</u>	<u>-</u>
State Awards:					
<u>NC Department of Transportation</u>					
Powell Bill			-	35,954	-
Visitors Center Grant			-	78,803	-
Total			<u>-</u>	<u>114,757</u>	<u>-</u>
<u>NC Office of State Budget and Management</u>					
Hurricane Disaster Relief and Recovery					
Emergency Staffing Grant			-	55,000	-
State Legislature Grant			-	1,302,843	-
Total			<u>-</u>	<u>1,357,843</u>	<u>-</u>
<u>NC Office of Recovery and Resiliency</u>					
Wastewater treatment assistance	NCORR-FDLG-025		-	75,935	-
Grand Totals			<u>\$ 2,794,081</u>	<u>\$ 2,370,016</u>	<u>\$ -</u>

Town of Fair Bluff, North Carolina
Notes to the Schedule of Expenditures of Federal and State Awards
June 30, 2021

Note A – Basis of Presentation

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

Note B – Summary of Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

Note D – Loans Outstanding

As discussed in the Long-Term Debt note on page 45, the Town received a loan \$23,320 from the North Carolina Department of Environmental Quality. This amount was paid back in full in July 2021.