REVIEWED
By SLGFD at 7:19 am, Dec 07, 2021

Town of Falkland, North Carolina

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

Town Council

Ginger Little, Mayor

Ronald Norville
James Gorham

Joy Collins

Town Clerk
Vickie Wells

CTS

Cumbee, Taylor & Shook, PA
CPAs and Advisors

Town of Falkland, North Carolina
Table of Contents
June 30, 2021

Exhibit		Page
	Financial Section:	
	Independent Auditors' Report	1
	Management's Discussion and Analysis	3
	Basic Financial Statements:	
	Government-wide Financial Statements:	
1	Statement of Net Position	12
2	Statement of Activities	13
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds and Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
5	Statement of Revenues, Expenditures, and Changes in Fund Balances – Annual Budget and Actual – General Fund	18
	Notes to the Financial Statements	19
	Individual Fund Statements and Schedules:	
	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund	30
	Other Schedules:	
	Schedule of Ad Valorem Taxes Receivable	32
	Analysis of Current Tax Levy - Town-Wide Levy	33

FINANCIAL SECTION

Cumbee, Taylor & Shook, PA
CPAs and Advisors

Cumbee, Taylor & Shook, PA
P.O. Box 869 - 127 West Boulevard
Williamston, NC 27892

Phone: (252) 792-6081
Fax: (252) 792-8218

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 and each major fund of the Town of Falkland, North Carolina as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a 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.

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 Falkland, North Carolina. The individual fund statements and schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Cumbee, Taylor & Shook, PA

Cumbee, Taylor & Shook, PA
November 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

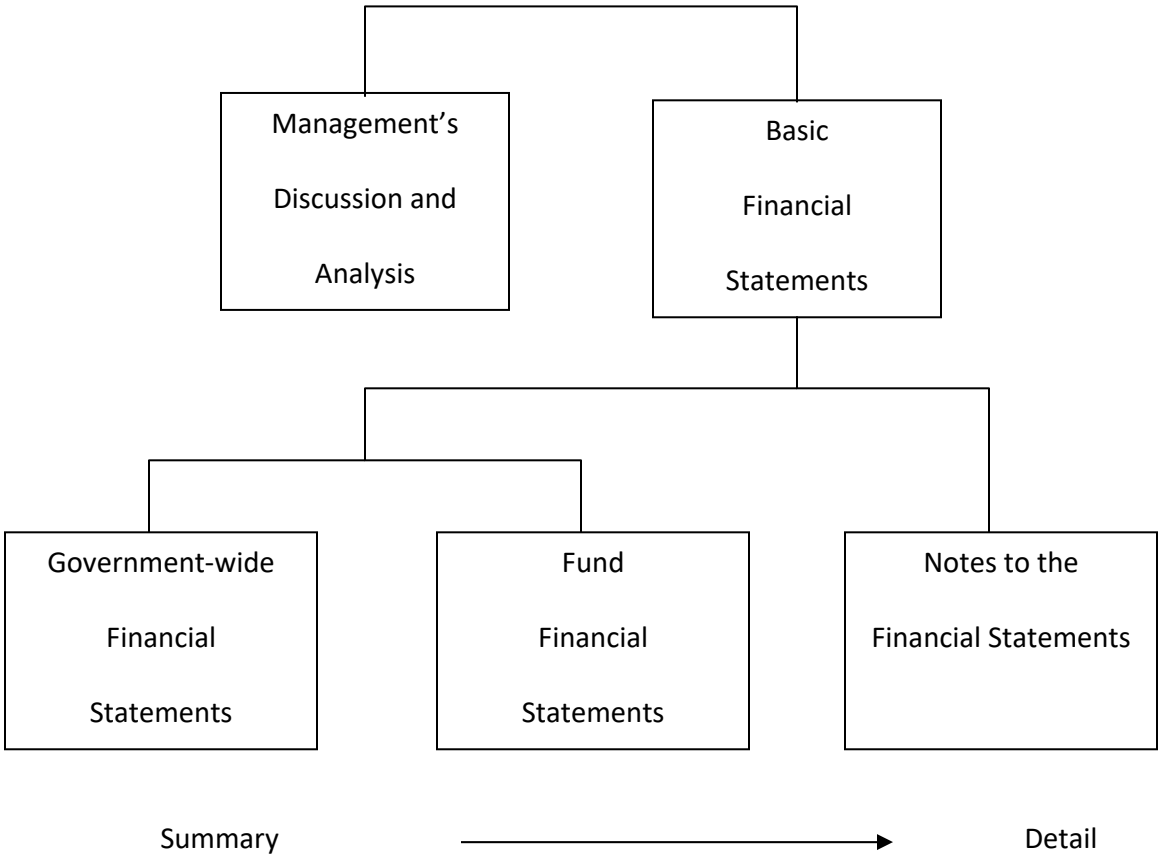
- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $208,147 (net position).
- The government's total net position increased by $3,032, primarily due to increases in property tax revenues.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $133,465 with a net increase of $1,374 in fund balance. Approximately 24.23% of this amount, or $32,345, is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $101,120, or 186.83 percent of total general fund expenditures for the fiscal year.

Overview of the Financial Statements

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

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the budgetary comparison statements.

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

Government-wide Financial Statements

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

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

The government-wide statements include the governmental activities. The governmental activities include most of the Town's basic services such as transportation, sanitation and general administration. Property taxes and State grant funds finance most of these activities.

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

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town 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 are governmental funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in 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 more or fewer financial resources are available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Council 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 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 Council; 2) the final budget as amended by the Council; 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.

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 19-29 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from or associated with the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to State laws and State appropriations.

Government-Wide Financial Analysis

The Town of Falkland's Net Position

Figure 2

	Governmental Activities	
	2021	2020
Current assets	$ 134,175	$ 132,613
Capital assets	74,439	72,984
Total assets	208,614	205,597
Other liabilities	467	467
Deferred inflows of resources	-	15
Total liabilities and deferred inflows and resources	467	482
Net position:		
Net investment in capital assets	74,439	72,984
Restricted	29,275	28,948
Unrestricted	104,433	103,183
Total net position	$ 208,147	$ 205,115

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town exceeded liabilities and deferred inflows by $208,147 as of June 30, 2021. The Town's net position increased by $3,032 for the fiscal year ended June 30, 2021. 35.76% of the Town's net position reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position $29,275 (14.06%) represents resources that are subject to external restrictions on how they may be used. The largest portion (50.18%) of the Town's net position is unrestricted.

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

- Conservative spending and containment of costs
- Continued diligence in the collection of property taxes with a current year collection rate of 98.98%
- Property tax revenues increased due to re-evaluation year of property in Pitt County

Town of Falkland's Changes in Net Position

Figure 3

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	$ 275	$ 1,175
Operating grants and contributions	1,978	2,187
General revenues:		
Property taxes	24,111	19,982
Grants and contributions not restricted to specific programs	28,690	25,137
Other	646	777
Total revenues	55,700	49,258
Expenses:		
General government	31,368	32,381
Transportation	3,874	4,695
Environmental protection	17,426	16,759
Total expenses	52,668	53,835
Increase (decrease) in net position	3,032	(4,577)
Net position, July 1	205,115	209,692
Net position, June 30	$ 208,147	$ 205,115

Governmental activities. Governmental activities increased the Town's net position by $3,032. Key elements of this increase are as follows:

- Property tax revenues increased due to re-evaluation year of property in Pitt County

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Falkland's fund balance available in the General Fund was $121,887, while total fund balance reached $133,465. The Town currently has an available fund balance of 225.20% of general fund expenditures, while total fund balance represents 246.60% of the same amount. The Town has not adopted a minimum fund balance policy for the general fund.

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

The Town amended the budget for an increase in street maintenance expenditures and for the purchase of a new HVAC system for the community building.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2021, totals $74,439 (net of accumulated depreciation). These assets include buildings and improvements, land, and machinery and equipment. During the June 30, 2021 fiscal year, the Town purchased a new HVAC system for the community building in the amount of $5,850.

Town of Falkland's Capital Assets

(net of depreciation)

Figure 4

	Governmental Activities	
	2021	2020
Land	$ 3,500	$ 3,500
Buildings & improvements	69,067	67,411
Infrastructure	1,442	1,543
Machinery and equipment	430	530
Total	$ 74,439	$ 72,984

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

Long-Term Debt. The Town does not have any long-term debt. North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town is $415,809.

Economic Factors and Next Year's Budgets and Rates

The following key economic factors related to the growth of the Town.

The Town is located in Pitt County and has a population of 96. The unemployment rate for Pitt County at June 30, 2021 was 5.1 percent compared to the statewide rate of 4.6 percent.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The original budgeted revenues and expenditures in the Town's General Fund for the June 30, 2022 fiscal year are consistent with June 30, 2021's budget excluding the additional street maintenance expenditures and the purchase of an HVAC unit. No fund balance was appropriated in the June 30, 2022 budget.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mayor or Town Clerk of the Town of Falkland, PO Box AO, Falkland, NC 27827.

BASIC FINANCIAL STATEMENTS

Town of Falkland, North Carolina
Statement of Net Position
June 30, 2021
Exhibit 1

	Primary Government	
		Governmental Activities
ASSETS		
Current assets:		
Cash and cash equivalents	$	28,630
Short-term cash investments		72,957
Taxes receivables (net)		243
Due from other governments		8,508
Prepaid insurance		3,070
Restricted cash and cash equivalents		20,767
Total current assets		134,175
Non-current assets:		
Capital assets (Note III):		
Land and non-depreciable improvements		3,500
Other capital assets, net of depreciation		70,939
Total capital assets		74,439
TOTAL ASSETS		208,614
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		467
TOTAL LIABILITIES		467
NET POSITION		
Net investment in capital assets		74,439
Restricted for:		
Stabilization by State Statute		8,508
Streets		20,767
Unrestricted		104,433
TOTAL NET POSITION	$	208,147

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental Activities:				
General government	$ 31,368	$ 275	$ -	$ -
Transportation	3,874	-	1,906	-
Environmental protection	17,426	-	72	-
Total governmental activities (See Note 1)	52,668	275	1,978	-
Total primary government	$ 52,668	$ 275	$ 1,978	$ -

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

Town of Falkland, North Carolina
Statement of Activities
For the Fiscal Year Ended June 30, 2021
Exhibit 2

	Net (Expense) Revenue and Changes in Net Position Primary Government Governmental Activities
Primary government:	
Governmental Activities:	
General government	$ (31,093)
Transportation	(1,968)
Environmental protection	(17,354)
Total governmental activities (See Note 1)	(50,415)
Total primary government	(50,415)
General revenues:	
Taxes:	
Property taxes, levied for general purpose	24,111
Grants and contributions not restricted to specific programs	28,690
Unrestricted investment earnings	646
Total general revenues	53,447
Change in net position	3,032
Net position, beginning	205,115
Net position, ending	$ 208,147

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

Town of Falkland, North Carolina
Balance Sheet
Governmental Funds
June 30, 2021
Exhibit 3

	Major Funds General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	$ 28,630	$ 28,630
Short-term cash investments	72,957	72,957
Restricted cash and cash equivalents	20,767	20,767
Taxes receivable, net	243	243
Due from other governments	8,508	8,508
Prepaid insurance	3,070	3,070
Total assets	$ 134,175	$ 134,175
LIABILITIES		
Accounts payable and accrued liabilities	$ 467	$ 467
Total liabilities	467	467
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	243	243
Total deferred inflows of resources	243	243
FUND BALANCES		
Nonspendable		
Prepaids	3,070	3,070
Restricted		
Stabilization by State Statute	8,508	8,508
Streets	20,767	20,767
Unassigned	101,120	101,120
Total fund balances	133,465	133,465
Total liabilities and fund balances	$ 134,175	
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	$ 155,723	
Accumulated depreciation	(81,284)	74,439
Earned revenues considered deferred inflows of resources in fund statements.		243
Net position of governmental activities		$ 208,147

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

Town of Falkland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
Exhibit 4

	Major Funds	Total
	General Fund	Governmental Funds
Revenues:		
Ad valorem taxes	$ 23,908	$ 23,908
Unrestricted intergovernmental	28,690	28,690
Restricted intergovernmental	1,964	1,964
Permits and fees	175	175
Investment earnings	660	660
Other revenues	100	100
Total revenues	55,497	55,497
Expenditures:		
Current:		
General government	32,823	32,823
Transportation	3,874	3,874
Sanitation	17,426	17,426
Total expenditures	54,123	54,123
Net change in fund balance	1,374	1,374
Fund balances, beginning	132,091	132,091
Fund balances, ending	$ 133,465	$ 133,465

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

Town of Falkland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021
Exhibit 4

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds		$ 1,374
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures that were capitalized	5,850	
Depreciation expense for governmental assets	(3,868)	1,982
Loss on disposal of fixed asset		(527)
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		203
Total changes in net position of governmental activities		$ 3,032

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

Town of Falkland, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balances
Annual Budget and Actual – General Fund
For the Fiscal Year Ended June 30, 2021
Exhibit 5

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:				
Ad valorem taxes	$ 19,832	$ 19,832	$ 23,908	$ 4,076
Unrestricted intergovernmental	24,915	27,215	28,690	1,475
Restricted intergovernmental	1,770	1,770	1,964	194
Permits and fees	125	125	175	50
Investment earnings	1,000	1,000	660	(340)
Other revenues	600	600	100	(500)
Total revenues	48,242	50,542	55,497	4,955
Expenditures:				
Current				
General government	29,116	36,116	32,823	3,293
Transportation	1,700	3,000	3,874	(874)
Sanitation	17,426	17,426	17,426	-
Total expenditures	48,242	56,542	54,123	2,419
Revenues over (under) expenditures	-	(6,000)	1,374	7,374
Fund balance appropriated	-	6,000	-	(6,000)
Net change in fund balance	$ -	$ -	1,374	$ 1,374
Fund balances, beginning			132,091	
Fund balances, ending			$ 133,465	

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

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Falkland is a municipal corporation that is governed by an elected mayor and a three-member council.

B. Basis of Presentation

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

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

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

The Town does not have any business-type activities and therefore has no proprietary funds.

The Town reports the following major governmental funds:

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

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 Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide 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.

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. Issuance of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Falkland because the tax is levied by Pitt 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 are both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal-year end. Project ordinances are adopted for the Grant Projects Special Revenue Fund. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1st of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

Deposits and Investments

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

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).

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit purchased with an original maturity of three months or less.

Short-term Cash Investments

Short-term cash investments include certificates of deposit with a maturity in excess of three months.

Restricted Assets

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

Town of Falkland Restricted Cash		
Governmental Activities		
General Fund		
	Streets	$ 20,767

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. However, the Town contracts with Pitt County to levy, bill and collect all ad valorem taxes. 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.

Allowance for Doubtful Accounts

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

Prepaid items

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

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. The Town's minimum capitalization cost is $500 for all types of assets. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

Deferred Outflows/Inflows of Resources

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

Compensated Absences

The Town does not employ any full-time employees and it does not compensate part-time employees for vacation or sick leave time. Therefore, no provision for vacation or disclosure of sick leave is included in the accompanying financial statements.

Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaids – The portion of fund balance that is not available for appropriation because it represents the year-end fund balance of ending prepaids, which are not expendable, available resources.

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

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

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

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

Assigned Fund Balance – portion of fund balance that Town of Falkland intends to use for specific purposes.

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

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

The Town has 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.

Use of Estimates

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

Subsequent Events – Date of Management's Evaluation

Management has evaluated subsequent events through November 14, 2021, the date which the financial statements were available to be issued.

II. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for transportation activities by $874. This over-expenditure was an oversight. The Town has only three streets within the Town limits and was working to complete street maintenance before year-end to avoid losing its Powell Bill funds.

III. Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of $122,344 and a bank balance of $126,339. Of the bank balance, all was covered by federal depository insurance. At June 30, 2021, the Town's petty cash fund totaled $10.

Receivables – Allowance for Doubtful Accounts

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

General Fund	
Taxes receivable	$ 114

Capital Assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 3,500	$ -	$ -	$ 3,500
Capital assets being depreciated:				
Buildings/improvements	133,568	5,850	4,778	134,640
Equipment	14,548	-	-	14,548
Infrastructure	3,035	-	-	3,035
Total capital assets being depreciated	151,151	5,850	4,778	152,223
Less accumulated depreciation for:				
Buildings/improvements	66,157	3,667	4,251	65,573
Equipment	14,018	100	-	14,118
Infrastructure	1,492	101	-	1,593
Total accumulated depreciation	81,667	$ 3,868	$ 4,251	81,284
Total capital assets being depreciated, net	69,484			70,939
Governmental activity capital assets, net	$ 72,984			$ 74,439

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

General government	$ 3,868

B. Liabilities

Deferred Inflows of Resources

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	$ -	$ 243

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; and natural disasters. The Town carries insurance for general liability coverage of $1 million per occurrence and property coverage up to the total insurance value of the property policy. There have been no significant reductions in insurance coverage in the prior year and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance. Because the Town buildings are located in a "higher" area in Pitt County, the Town believes that flood insurance is not necessary.

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

Legal Debt Margin

At June 30, 2021, the Town had a legal debt margin of $415,809.

C. Fund Balance

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

Total Fund Balance - General Fund:	$	133,465
Less:		
Prepaids		3,070
Stabilization by State Statute		8,508
Streets - Powell Bill		20,767
Appropriated Fund Balance in 2022 budget		-
Working Capital/Fund Balance Policy		-
Remaining Fund Balance:	$	101,120

IV. Related Party Transactions

During the June 30, 2021 fiscal year, the Mayor's spouse performed grass cutting. Amounts paid to the Mayor's spouse for these services were $945. The Town also paid one of the Town councilmen's business $3,894 for street maintenance services and assisting with the installation and storage of the Town's Christmas decorations.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VI. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. Absent any government order or contagion of its workforce, the Town plans to continue its normal operations while taking all reasonable efforts to protect its citizens and employee. The Town's financial position and results of operations as of and for the fiscal year ended June 30, 2021 have not been materially impacted with this pandemic through that date. However, the Town cannot reasonably estimate the length or severity of this pandemic or the extent to which the disruption may materially impact its future financial statements through the distribution of intergovernmental revenues by the State of North Carolina and collection of property and vehicle taxes.

Individual Fund Statements and Schedules

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes			
Taxes	$	$ 23,706	$
Interest		202	
Total	19,832	23,908	4,076
Unrestricted intergovernmental			
Local option sales taxes		26,089	
Utilities sales tax, telecommunications tax and video franchise fee		2,196	
Beer and wine tax		405	
Total	27,215	28,690	1,475
Restricted intergovernmental			
Powell Bill allocation		1,892	
Solid waste disposal tax		72	
Total	1,770	1,964	194
Permits and Fees			
Business registration fee	125	175	50
Investment earnings	1,000	660	(340)
Other revenues			
Rental income		100	
Total	600	100	(500)
Total revenues	50,542	55,497	4,955

cont.

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

	Budget	Actual	Variance Positive (Negative)
Expenditures:			
General government			
Professional services		6,345	
Utilities		5,683	
Salaries and benefits		5,967	
Travel		600	
Office supplies		388	
Collection fees		384	
Contracted services		945	
Miscellaneous		201	
Insurance and bonds		2,496	
Fire Department donation		3,964	
Capital outlay		5,850	
Total general government	36,116	32,823	3,293
Transportation			
Streets and highways	3,000	3,874	(874)
Sanitation			
Contracted services	17,426	17,426	-
Total expenditures	56,542	54,123	2,419
Revenues over (under) expenditures	(6,000)	1,374	7,374
Fund balance appropriated	6,000	-	(6,000)
Net change in fund balance	$ -	1,374	$ 1,374
Fund balances, beginning		132,091	
Fund balances, ending		$ 133,465	

OTHER SCHEDULES

This section contains additional information on property taxes.

-Schedule of Ad Valorem Taxes Receivable

-Analysis of Current Tax Levy

Town of Falkland, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	$ -	$ 23,909	$ 23,666	$ 243
2019-2020	40	-	40	-
2018-2019	-	-	-	-
2017-2018	-	-	-	-
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	-	-	-	-
2012-2013	21	-	-	21
2011-2012	93	-	-	93
2010-2011	23	-	23	-
	$ 177	$ 23,909	$ 23,729	357
Less: allowance for uncollectible accounts:				
General Fund				(114)
Ad valorem taxes receivable - net				$ 243

Reconciliation to revenues:

Ad valorem taxes - General Fund	$ 23,908
Reconciling items:	
Taxes written off	23
Interest collected	(202)
Subtotal	(179)
Total collections and credits	$ 23,729

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

	Town-Wide			Total Levy	
	Total Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxes at current year's rate	$5,292,609	0.46	$ 24,346	$ 21,777	$ 2,569
Discoveries					
Current year taxes	55,435		255	255	-
Releases	(150,435)		(692)	(692)	-
Total property valuation	$5,197,609				
Net levy			23,909	21,340	2,569
Unpaid (by taxpayer) taxes at June 30, 2021			(243)	(243)	-
Current year's taxes collected			$ 23,666	$ 21,097	$ 2,569
Current levy collection percentage			98.98%	98.86%	100.00%