

REVIEWED

By SLGFD at 1:09 pm, Dec 16, 2021

TOWN OF FOUNTAIN, NORTH CAROLINA

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

FOR THE YEAR ENDED JUNE 30, 2021

GREGORY T. REDMAN, CPA
TARBORO, NORTH CAROLINA

Financial Statements

Town of Fountain, North Carolina

June 30, 2021

Board of Commissioners

Shirley Mitchell, Mayor
Doris Edwards
Phoenix Hinson
Kathy Parker
Glen Vines
Steven Williams

Administrative Staff

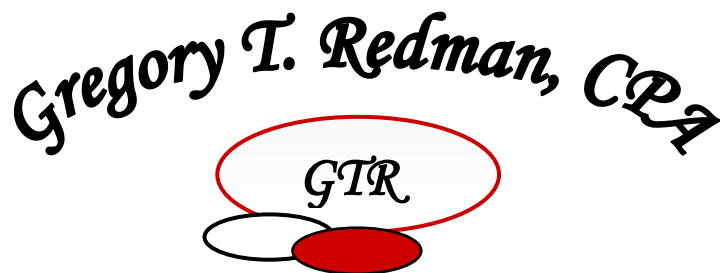
Letha Hines
Town Clerk

Town of Fountain, North Carolina
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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 26, 2021 on my consideration of Town of Fountain, North Carolina's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Fountain, North Carolina's internal control over financial reporting and compliance.

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

Gregory T. Redman, CPA
Tarboro, North Carolina
November 26, 2021

Management's Discussion and Analysis

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

As management of the Town of Fountain, North Carolina, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Fountain 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

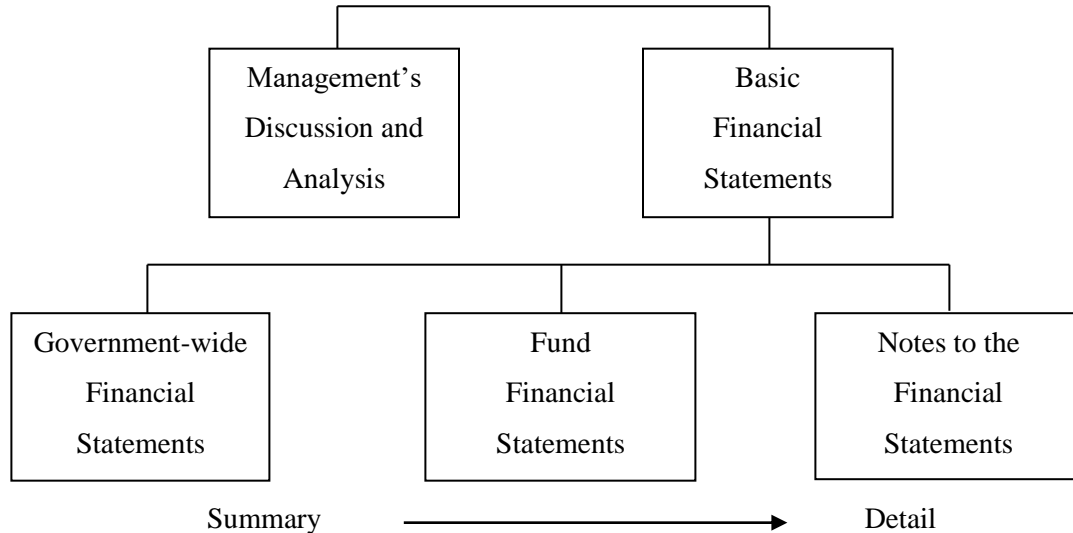
- The assets and deferred outflows of resources of the Town of Fountain exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,818,498 (net position).
- The government's total net position increased by \$451,535.
- At the close of the current fiscal year, the Town of Fountain's governmental funds reported an ending fund balance of \$611,106, with a net increase of \$35,639 in fund balance. Approximately 13 percent of this total amount, or \$77,840 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$533,266 or 215 percent of total general fund expenditures for the fiscal year.
- The Town of Fountain's total long-term debt decreased by \$8,823 during the current fiscal year.

Overview of the Financial Statements

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

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

Required Components of Annual Financial Report



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Proprietary Funds. Town of Fountain has two proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Town of Fountain uses an enterprise fund to account for its water and sewer and electric operations.

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

These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Fountain's progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

The Town of Fountain's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and other assets	\$ 650,181	\$ 612,697	\$ 1,500,685	\$ 1,390,741	\$ 2,150,866	\$ 2,003,438
Capital assets	417,948	453,755	3,850,846	3,568,039	4,268,794	4,021,794
Deferred outflows of resources	-	-	-	-	-	-
Outflows of Resources	<u>\$ 1,068,129</u>	<u>\$ 1,066,452</u>	<u>\$ 5,351,531</u>	<u>\$ 4,958,780</u>	<u>\$ 6,419,660</u>	<u>\$ 6,025,232</u>
Liabilities:						
Current liabilities	\$ 15,602	\$ 15,928	\$ 193,658	\$ 227,869	\$ 209,260	\$ 243,797
Long-term liabilities	152,839	161,347	239,063	253,125	391,902	414,472
Deferred inflows of resources	-	-	-	-	-	-
Inflows of Resources	<u>\$ 168,441</u>	<u>\$ 177,275</u>	<u>\$ 432,721</u>	<u>\$ 480,994</u>	<u>\$ 601,162</u>	<u>\$ 658,269</u>
Net Position:						
Net investment in capital assets	\$ 256,603	\$ 283,587	\$ 3,597,721	\$ 3,300,852	\$ 3,854,324	\$ 3,584,439
Restricted	68,103	53,957	-	-	68,103	53,957
Unrestricted	574,982	551,633	1,321,089	1,176,934	1,896,071	1,728,567
Total Net Position	<u>\$ 899,688</u>	<u>\$ 889,177</u>	<u>\$ 4,918,810</u>	<u>\$ 4,477,786</u>	<u>\$ 5,818,498</u>	<u>\$ 5,366,963</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Fountain exceeded liabilities and deferred inflows of resources by \$5,818,498 as of June 30, 2021. The Town's net position increased by \$451,535 for the fiscal year ended June 30, 2021. However, the largest portion (66%) reflects the Town's net investment in capital

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

assets (e.g. land, buildings, machinery, and equipment). The Town of Fountain uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Fountain's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Fountain's net position (1%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of the Town of Fountain's net position \$1,896,071 (33%) is unrestricted.

Town of Fountain Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 35,776	\$ 35,060	\$ 971,162	\$ 876,193	\$ 1,006,938	\$ 911,253
Operating grants and contributions	13,743	14,573	-	-	13,743	14,573
Capital grants and contributions	-	298,667	-	-	-	298,667
General revenues:						
Property taxes	165,019	156,735	-	-	165,019	156,735
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	135,216	133,117	429,982	1,292,128	565,198	1,425,245
Investment earnings	809	1,852	-	1,097	809	2,949
Other	2,050	4,376	-	83,798	2,050	88,174
Total Revenues	<u>\$ 352,613</u>	<u>\$ 644,380</u>	<u>\$ 1,401,144</u>	<u>\$ 2,253,216</u>	<u>\$ 1,753,757</u>	<u>\$ 2,897,596</u>
Expenses:						
General government	\$ 85,841	\$ 102,916	\$ -	\$ -	\$ 85,841	\$ 102,916
Public safety	59,622	60,112	-	-	59,622	60,112
Transportation	73,571	136,519	-	-	73,571	136,519
Environmental protection	24,915	30,224	-	-	24,915	30,224
Culture and recreation	24,632	8,563	-	-	24,632	8,563
Interest on long-term debt	5,955	6,272	-	-	5,955	6,272
Water and sewer	-	-	341,413	367,807	341,413	367,807
Electric	-	-	618,707	671,453	618,707	671,453
Total Expenses	<u>\$ 274,536</u>	<u>\$ 344,606</u>	<u>\$ 960,120</u>	<u>\$ 1,039,260</u>	<u>\$ 1,234,656</u>	<u>\$ 1,383,866</u>
Increase(decrease) in net position	\$ 78,077	\$ 299,774	\$ 441,024	\$ 1,213,956	\$ 519,101	\$ 1,513,730
Transfers	-	-	-	-	-	-
Increase(decrease) in net position	\$ 78,077	\$ 299,774	\$ 441,024	\$ 1,213,956	\$ 519,101	\$ 1,513,730
Net position, July 1	889,177	589,403	4,477,786	3,263,830	5,366,963	3,853,233
Prior period adjustment	(67,566)	-	-	-	(67,566)	-
Net position, June 30	<u>\$ 899,688</u>	<u>\$ 889,177</u>	<u>\$ 4,918,810</u>	<u>\$ 4,477,786</u>	<u>\$ 5,818,498</u>	<u>\$ 5,366,963</u>

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

Governmental Activities. Governmental activities increased the Town's net position by \$10,511.

Business-type Activities. Business-type activities increased the Town of Fountain's net position by \$441,024. The largest portion of this increase was due to capital contributions in the amount of \$429,982.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Fountain'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 Fountain's financing requirements.

The general fund is the chief operating fund of the Town of Fountain. At the end of the current fiscal year, Town of Fountain's fund balance available in the General Fund was \$533,266, while total fund balance reached \$611,106. The Town currently has an available fund balance of 215% of general fund expenditures, while total fund balance represents 247% of the same amount.

At June 30, 2021, the governmental fund of Town of Fountain reported a fund balance of \$611,106 with a net increase in fund balance of \$35,639.

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 became necessary to maintain/increase services.

Proprietary Funds: The Town of Fountain's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$988,641 and those for the Water and Sewer Fund amounted to \$332,448. The total change in net position for both funds was an increase of \$51,226 and an increase of \$389,798 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

Capital Asset and Debt Administration

Capital Assets: The Town of Fountain's investments in capital assets for its governmental and business-type activities as of June 30, 2021 total \$4,268,795 (net of accumulated depreciation). These assets include buildings, land, machinery, equipment, and vehicles.

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

**Town of Fountain's Capital Assets
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 15,000	\$ 15,000	\$ -	\$ -	\$ 15,000	\$ 15,000
Buildings and systems	291,200	298,667	3,850,847	3,568,039	4,142,047	3,866,706
Machinery and equipment	-	-	-	-	-	-
Vehicles and motorized equipment	111,748	140,088	-	-	111,748	140,088
Total	<u>\$ 417,948</u>	<u>\$ 453,755</u>	<u>\$ 3,850,847</u>	<u>\$ 3,568,039</u>	<u>\$ 4,268,795</u>	<u>\$ 4,021,794</u>

Additional information on the Town's capital assets can be found in Note III(A)(4) of the Basic Financial Statements.

Long-term Debt: As of June 30, 2021 the Town of Fountain had total long-term debt outstanding of \$414,470.

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds	\$ -	\$ -	\$ 253,125	\$ 267,187	\$ 253,125	\$ 267,187
Notes payable	161,345	170,168	-	-	161,345	170,168
Total	<u>\$ 161,345</u>	<u>\$ 170,168</u>	<u>\$ 253,125</u>	<u>\$ 267,187</u>	<u>\$ 414,470</u>	<u>\$ 437,355</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Fountain is \$2,033,545.

Economic Factors and Next Year's Budgets and Rates

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

- The town is not expecting any economic growth in the next year.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The Town will use property taxes and revenues from permits and fees to finance programs currently in place.

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

An Ad Valorem tax rate of \$.5875 per \$100 valuation is hereby established as the official tax rate for the Town of Fountain for the fiscal year 2021-2021. This includes a General tax of \$.50 per \$100 and a Fire tax of \$.0875 per \$100.

Business-Type Activities: Water and sewer rates will remain the same at this time.

Electric rates for Commercial and Residential will remain the same.

The Town of Fountain will have one (1) grant project going in the budget year July 2021 through June 30, 2022: \$496,000 grant for waterline replacement.

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 Finance Officer, Letha H. Hines, Town of Fountain, Post Office 134, Fountain, NC 27829 or by calling the Town at (252) 749-2881.

Financial Section

Basic Financial Statements

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

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 538,966	\$ 1,355,497	\$ 1,894,463
Taxes receivables (net)	25,540	-	25,540
Accrued interest receivable on taxes	7,835	-	7,835
Accounts receivable (net)	-	62,894	62,894
Due from other governments	17,581	-	17,581
Inventory	-	8,246	8,246
Prepaid items	9,737	17,232	26,969
Restricted cash and cash equivalents	50,522	56,816	107,338
Total Current Assets	<u>\$ 650,181</u>	<u>\$ 1,500,685</u>	<u>\$ 2,150,866</u>
Non-current Assets:			
Capital assets:			
Land, non-depreciable improvements and construction in progress	\$ 15,000	\$ -	\$ 15,000
Other capital assets, net of depreciation	402,948	3,850,846	4,253,794
Total capital assets	<u>\$ 417,948</u>	<u>\$ 3,850,846</u>	<u>\$ 4,268,794</u>
Total Assets	<u>\$ 1,068,129</u>	<u>\$ 5,351,531</u>	<u>\$ 6,419,660</u>
Deferred Outflows of Resources			
Pension deferrals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 5,700	\$ 118,196	\$ 123,896
Current portion of long-term	8,506	14,062	22,568
Compensated absences payable	1,396	4,584	5,980
Payable from restricted assets	-	56,816	56,816
Total Current Liabilities	<u>\$ 15,602</u>	<u>\$ 193,658</u>	<u>\$ 209,260</u>
Long-term liabilities:			
Due in more than one year	<u>\$ 152,839</u>	<u>\$ 239,063</u>	<u>\$ 391,902</u>
Total Long-term liabilities	<u>\$ 152,839</u>	<u>\$ 239,063</u>	<u>\$ 391,902</u>
Total Liabilities	<u>\$ 168,441</u>	<u>\$ 432,721</u>	<u>\$ 601,162</u>
Deferred Inflows of Resources			
Pension deferrals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position			
Net investment in capital assets	\$ 256,603	\$ 3,597,721	\$ 3,854,324
Restricted for:			
Stabilization by State Statute	17,581	-	17,581
Streets	50,522	-	50,522
Unrestricted	574,982	1,321,089	1,896,071
Total Net Position	<u><u>\$ 899,688</u></u>	<u><u>\$ 4,918,810</u></u>	<u><u>\$ 5,818,498</u></u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General government	\$ 85,841	\$ 300	\$ -	\$ -	\$ (85,541)	\$ -	\$ (85,541)
Public safety	59,622	-	-	-	(59,622)	-	(59,622)
Transportation	73,571	-	13,425	-	(60,146)	-	(60,146)
Environmental protection	24,915	35,476	318	-	10,879	-	10,879
Cultural and recreation	24,632	-	-	-	(24,632)	-	(24,632)
Interest on long-term debt	5,955	-	-	-	(5,955)	-	(5,955)
Total Governmental Activities	<u>\$ 274,536</u>	<u>\$ 35,776</u>	<u>\$ 13,743</u>	<u>\$ -</u>	<u>\$ (225,017)</u>	<u>\$ -</u>	<u>\$ (225,017)</u>
Business-type activities:							
Water and Sewer	341,413	301,229	-	429,982	-	389,798	389,798
Electric	618,707	669,933	-	-	-	51,226	51,226
Total business-type activities	<u>\$ 960,120</u>	<u>\$ 971,162</u>	<u>\$ -</u>	<u>\$ 429,982</u>	<u>\$ -</u>	<u>\$ 441,024</u>	<u>\$ 441,024</u>
Total Primary Government	<u>\$ 1,234,656</u>	<u>\$ 1,006,938</u>	<u>\$ 13,743</u>	<u>\$ 429,982</u>	<u>\$ (225,017)</u>	<u>\$ 441,024</u>	<u>\$ 216,007</u>
General Revenues							
Taxes:							
Property taxes, levied for general purpose					\$ 165,019	\$ -	\$ 165,019
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					135,216	-	-
Unrestricted investment earnings					809	-	809
Miscellaneous					2,050	-	2,050
Total General Revenues, not including transfers					303,094	-	167,878
Transfers					-	-	-
Change in Net Position					\$ 78,077	\$ 441,024	\$ 519,101
Net Position, beginning					889,177	4,477,786	5,366,963
Prior period adjustment					(67,566)	-	(67,566)
Net Position, ending					<u>\$ 899,688</u>	<u>\$ 4,918,810</u>	<u>\$ 5,818,498</u>

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

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

	Major Funds
	General
Assets	
Cash and cash equivalents	\$ 538,966
Restricted cash	50,522
Receivables, net:	
Taxes	25,540
Prepaid items	9,737
Due from other governments	17,581
Total Assets	<u>\$ 642,346</u>
Liabilities	
Liabilities:	
Accounts payable and accrued liabilities	\$ 5,700
Due to other funds	-
Total Liabilities	<u>\$ 5,700</u>
Deferred Inflows of Resources	
Property taxes receivable	\$ 25,540
Prepaid taxes	-
Total Deferred Inflows of Resources	<u>\$ 25,540</u>
Fund Balances	
Non-spendable	
Prepaid items	\$ 9,737
Restricted	
Stabilization by State Statute	17,581
Streets	50,522
Unassigned	533,266
Total fund balance	<u>\$ 611,106</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 642,346</u>

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

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

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

Ending Fund Balance - Governmental Funds		\$ 611,106
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets at historical cost	\$ 867,050	
Accumulated depreciation	<u>(449,102)</u>	417,948
Accrued interest receivable from taxes are not available to pay for current period expenditures and therefore are deferred.		7,835
Earned revenues considered deferred inflows of resources in fund statements.		25,540
Some liabilities, including capital leases payable and compensated absences are not in the funds.		(1,396)
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.		<u>(161,345)</u>
Net Position of Governmental Activities		<u><u>\$ 899,688</u></u>

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

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

	<u>Major Funds</u> <u>General</u>
Revenues	
Ad valorem taxes	\$ 163,163
Other taxes and licenses	-
Unrestricted intergovernmental	135,216
Restricted intergovernmental	13,743
Sales and services	35,776
Investment earnings	809
Miscellaneous	2,050
Total Revenues	<u>\$ 350,757</u>
Expenditures	
Current:	
General government	\$ 85,841
Public safety	33,144
Transportation	64,242
Environmental protection	24,915
Cultural and recreation	24,632
Debt Service:	
Principal	14,778
Interest	-
Total Expenditures	<u>\$ 247,552</u>
Excess of Revenues Over (Under) Expenditures	\$ 103,205
Other Financing Sources (Uses)	
Transfers to other funds	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>
Net Change in Fund Balance	\$ 103,205
Fund Balances	
Beginning of year	575,467
Prior period adjustment	(67,566)
End of year	<u><u>\$ 611,106</u></u>

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

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

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

Net Change in Fund Balance - Total Governmental Funds		\$ 103,205
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ -	
Depreciation expense for governmental assets	<u>(35,807)</u>	(35,807)
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		1,856
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
New long-term debt issued	\$ -	
Principal payments	<u>8,823</u>	8,823
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		<u>-</u>
Total Changes in Net Position of Governmental Activities		<u><u>\$ 78,077</u></u>

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

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

	General Fund			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Ad valorem taxes	\$ 134,500	\$ 134,500	\$ 163,163	\$ 28,663
Other taxes and licenses	-	-	-	-
Unrestricted intergovernmental	132,100	132,100	135,216	3,116
Restricted intergovernmental	15,000	15,000	13,743	(1,257)
Sales and services	30,000	30,000	35,776	5,776
Investment earnings	-	-	809	809
Miscellaneous	-	-	2,050	2,050
Total Revenues	<u>\$ 311,600</u>	<u>\$ 311,600</u>	<u>\$ 350,757</u>	<u>\$ 39,157</u>
Expenditures				
Current				
General government	\$ 114,380	\$ 114,380	\$ 85,841	\$ 28,539
Public safety	38,150	38,150	33,144	5,006
Transportation	81,300	81,300	64,242	17,058
Environmental protection	28,100	28,100	24,915	3,185
Cultural and recreation	34,892	34,892	24,632	10,260
Debt service	14,778	14,778	14,778	-
Total Expenditures	<u>\$ 311,600</u>	<u>\$ 311,600</u>	<u>\$ 247,552</u>	<u>\$ 64,048</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,205</u>	<u>\$ 103,205</u>
Other Financing Sources (Uses)				
Transfers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance appropriated	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,205</u>	<u>\$ 103,205</u>
Fund Balances				
Beginning of year			575,467	
Prior period adjustment			(67,566)	
End of year			<u>\$ 611,106</u>	

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

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

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,027,564	\$ 327,933	\$ 1,355,497
Accounts receivable (net)	42,990	19,904	62,894
Inventory	6,157	2,089	8,246
Prepaid items	13,944	3,288	17,232
Restricted cash and cash equivalents	36,028	20,788	56,816
Total Current Assets	<u>\$ 1,126,683</u>	<u>\$ 374,002</u>	<u>\$ 1,500,685</u>
Noncurrent assets:			
Capital assets:			
Land and other non-depreciable assets	\$ -	\$ -	\$ -
Other capital assets, net of depreciation	151,310	3,699,536	3,850,846
Capital assets	<u>\$ 151,310</u>	<u>\$ 3,699,536</u>	<u>\$ 3,850,846</u>
Total Noncurrent Assets	<u>\$ 151,310</u>	<u>\$ 3,699,536</u>	<u>\$ 3,850,846</u>
Total Assets	<u><u>\$ 1,277,993</u></u>	<u><u>\$ 4,073,538</u></u>	<u><u>\$ 5,351,531</u></u>
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 98,003	\$ 20,193	\$ 118,196
Compensated absences	4,011	573	4,584
Bonds payable - current	-	14,062	14,062
Due to other funds	-	-	-
Liabilities payable from restricted assets:			
Customer deposits	36,028	20,788	56,816
Total Current Liabilities	<u>\$ 138,042</u>	<u>\$ 55,616</u>	<u>\$ 193,658</u>
Noncurrent liabilities:			
Bonds payable - noncurrent	\$ -	\$ 239,063	\$ 239,063
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ 239,063</u>	<u>\$ 239,063</u>
Total Liabilities	<u>\$ 138,042</u>	<u>\$ 294,679</u>	<u>\$ 432,721</u>
Deferred Inflows of Resources			
Pension deferrals	\$ -	\$ -	\$ -
Net Position			
Net investment in capital assets	\$ 151,310	\$ 3,446,411	\$ 3,597,721
Unrestricted	988,641	332,448	1,321,089
Total Net Position	<u><u>\$ 1,139,951</u></u>	<u><u>\$ 3,778,859</u></u>	<u><u>\$ 4,918,810</u></u>

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

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

	Major Enterprise Funds		
	Electric Fund	Water and Sewer Fund	Totals
Operating Revenues			
Charges for services	\$ 625,671	\$ 273,935	\$ 899,606
Other operating revenues	44,262	27,294	71,556
Total Operating Revenues	<u>\$ 669,933</u>	<u>\$ 301,229</u>	<u>\$ 971,162</u>
Operating Expenses			
Administration and operations	\$ 265,239	\$ 80,259	\$ 345,498
Electric power purchases	338,785	-	338,785
Water and Sewer purchases	-	128,663	128,663
Depreciation	14,683	132,491	147,174
Total Operating Expenses	<u>\$ 618,707</u>	<u>\$ 341,413</u>	<u>\$ 960,120</u>
Operating income (loss)	<u>\$ 51,226</u>	<u>\$ (40,184)</u>	<u>\$ 11,042</u>
Non-operating Revenues (Expenses)			
Interest on investments	\$ -	\$ -	\$ -
Interest on long-term debt	-	-	-
Total Non-operating Revenues (expenses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income (loss) Before Contributions and Transfers	\$ 51,226	\$ (40,184)	\$ 11,042
Capital contributions	-	429,982	429,982
Change in Net Position	\$ 51,226	\$ 389,798	\$ 441,024
Net Position, beginning	<u>1,088,725</u>	<u>3,389,061</u>	<u>4,477,786</u>
Net Position, ending	<u><u>\$ 1,139,951</u></u>	<u><u>\$ 3,778,859</u></u>	<u><u>\$ 4,918,810</u></u>

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

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

	Major Enterprise Funds		
	Water and		
	Electric Fund	Sewer Fund	Totals
Cash Flows From Operating Activities			
Cash received from customers	\$ 633,752	\$ 276,935	\$ 910,687
Cash paid for goods and services	(440,674)	(181,284)	(621,958)
Cash paid to or on behalf of employees for services	(196,944)	(30,800)	(227,744)
Other operating revenues	44,262	27,294	71,556
Net Cash Provided (used) by Operating Activities	<u>\$ 40,396</u>	<u>\$ 92,145</u>	<u>\$ 132,541</u>
Cash Flows From Noncapital Financing Activities			
(Increase) decrease in advances to other funds	\$ -	\$ -	\$ -
Net Cash Provided by Noncapital Financing Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Cash Flows From Capital and Related Financing Activities			
Principal paid on long-term debt	\$ -	\$ (14,062)	\$ (14,062)
Interest paid on long-term debt	-	-	-
Capital contributions	-	429,982	429,982
Acquisition of capital assets	-	(429,982)	(429,982)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>\$ -</u>	<u>\$ (14,062)</u>	<u>\$ (14,062)</u>
Cash Flows From Investing Activities			
Interest and dividends	\$ -	\$ -	\$ -
Net Increase (decrease) in Cash and Cash Equivalents	\$ 40,396	\$ 78,083	\$ 118,479
Balances - Beginning of year	<u>1,023,196</u>	<u>270,638</u>	<u>1,293,834</u>
Balances - End of year	<u><u>\$ 1,063,592</u></u>	<u><u>\$ 348,721</u></u>	<u><u>\$ 1,412,313</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	<u>\$ 51,226</u>	<u>\$ (40,184)</u>	<u>\$ 11,042</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	\$ 14,683	\$ 132,491	\$ 147,174
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	8,082	3,000	11,082
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid items	(2,546)	-	(2,546)
Increase (decrease) in accounts payable and accrued liabilities	(32,685)	(3,362)	(36,047)
Increase (decrease) in customer deposits	1,636	200	1,836
Increase (decrease) in compensated absences	-	-	-
Total adjustments	<u>\$ (10,830)</u>	<u>\$ 132,329</u>	<u>\$ 121,499</u>
Net Cash Provided by Operating Activities	<u><u>\$ 40,396</u></u>	<u><u>\$ 92,145</u></u>	<u><u>\$ 132,541</u></u>

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

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

I. Summary of Significant Accounting Policies

The accounting policies of Town of Fountain 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 Fountain is a municipal corporation that is governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town of Fountain, North Carolina.

B. Basis of Presentation

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

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

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

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

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

The Town reports the following major governmental funds:

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

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.

Electric Fund - This fund is used to account for the Town's electric operations.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the 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.

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

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

The Town considers all revenues available if they are collected within 60 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 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 Fountain 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 is both restricted and unrestricted net position available to finance the program. The Town has no formal policy on the order of funding applications. The finance officer has the Town to make the decisions on spending hierarchy in the best interest of the Town.

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 any Special Revenue Fund and Enterprise Capital Projects Funds. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at

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

the functional level for all annually budgeted funds and at the object level for the multi-year funds. Any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary.

All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public Town; 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 NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is valued at fair value. Because the NCCMT Government Portfolio has a weighted maturity of less than 90 days, it is projected as an investment with a maturity of less than 6 months.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and equivalents.

3. Restricted Assets

Customer deposits held by the Town before any services are supplied, are restricted to the service for which the deposit was collected. Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, reporting, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

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

Town of Fountain Restricted Cash

Governmental Activities:	
General Fund	
Streets	\$ 50,522
Total Government Activities	<u>\$ 50,522</u>
Business-type Activities:	
Electric Fund	
Customer deposits	\$ 36,028
Water and Sewer Fund	
Customer deposits	20,788
Total Business-type Activities	<u>\$ 56,816</u>
Total Restricted Cash	<u><u>\$ 107,338</u></u>

4. Ad Valorem Taxes Receivable

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

5. Allowances for Doubtful Accounts

Allowances for doubtful accounts are maintained on all types of receivables, which historically experience uncollectable accounts other than taxes receivable. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

Uncollectible taxes receivable is not considered material. There is no allowance for uncollectible taxes receivable reflected in these financial statements.

6. Inventories and Prepaid Items

The inventories of the Town's enterprise funds are valued at cost (first-in, first-out), which approximates market. These inventories consist of materials and supplies that are recorded as expenditures as used rather than when purchased.

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

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.

7. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$1,000; Buildings, improvements, substations, lines, and other plant and distribution systems, \$1,000; infrastructure, \$2,000; furniture and equipment, \$1,000; computers and computer software, \$1,000; and vehicles, \$1,000.

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 15, 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	25-33
Buildings	30
Improvements	20-30
Vehicles	5-7
Furniture and equipment	5-10
Computer equipment	5

1. D

8. 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 no 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 has one items that meets the criterion for this category – property taxes receivable.

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

9. 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.

10. Compensated Absences

The vacation policy of the Town provides for no accumulation of up to ten (10) days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time.

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

11. Net Position/Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Prepaid Items – portion of fund balance that is not an available resource because it represents the balance of prepaid assets, which is not spendable.

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

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

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

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

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

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

The Town of Fountain has no written spending policy for programs with multiple revenue resources. The Finance Officer has the Town to make the decisions on spending hierarchy in the best interest of the Town.

The Town has no minimum fund balance policy but monitors annually to maintain an unrestricted fund balance sufficient to respond to unanticipated events or cash flow needs as they arise.

12. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due.

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

The Town of Fountain's employer contributions are recognized when due and the Town of Fountain 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. The Town offers no retirement benefits for any current employees.

II. Stewardship, Compliance, and Accountability

There were no stewardship, compliance, and accountability issues to report.

III. Detail Notes on All Funds

A. Assets

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits 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 \$1,864,259 and a bank balance of \$1,851,933. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. Petty cash of the Town totaled \$375.

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

2. Investments

At June 30, 2021, the Town of Fountain had \$137,167 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAm by Standard and Poor's. The Town has no policy regarding credit risk.

Investment by Type	Valuation Measurement Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust Government Portfolio	Fair Value Level 1	\$ 137,167	N/A	AAAm
Total		\$ 137,167		

a. Interest Rate Risk

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

b. Credit Risk

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

3. Receivables – Allowances for Doubtful Accounts

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

Enterprise Funds:	
Electric fund	\$ 5,535
Water & Sewer fund	3,000
Total	<u>\$ 8,535</u>

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

4. Capital Assets

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	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,000</u>
Capital assets being depreciated:				
Buildings and improvements	\$352,885	\$ -	\$ -	\$352,885
Vehicles and motorized equipment	424,011	-	-	424,011
Equipment	75,154	-	-	75,154
Total capital assets being depreciated	<u>\$852,050</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$852,050</u>
Less accumulated depreciation for:				
Buildings	\$ 54,218	\$ 7,467	\$ -	\$ 61,685
Vehicles and motorized equipment	283,923	28,340	-	312,263
Equipment	75,154	-	-	75,154
Total accumulated depreciation	<u>\$413,295</u>	<u>\$ 35,807</u>	<u>\$ -</u>	<u>\$449,102</u>
Total capital assets being depreciated, net	<u>\$438,755</u>			<u>\$402,948</u>
Governmental activity capital assets, net	<u>\$453,755</u>			<u>\$417,948</u>

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

General government	\$ -
Public safety	26,478
Public works	9,329
Total Depreciation Expense	<u>\$ 35,807</u>

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

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

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Electric Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets being depreciated:				
Plant and distributions systems	\$ 601,612	\$ -	\$ -	\$ 601,612
Furniture and maintenance equipment	3,393	-	-	3,393
Vehicles	167,870	-	-	167,870
Total capital assets being depreciated	<u>\$ 772,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,875</u>
Less accumulated depreciation for:				
Plant and distributions systems	\$ 435,618	\$ 14,683	\$ -	\$ 450,301
Furniture and maintenance equipment	3,393	-	-	3,393
Vehicles	167,870	-	-	167,870
Total capital assets being depreciated	<u>\$ 606,881</u>	<u>\$ 14,683</u>	<u>\$ -</u>	<u>\$ 621,564</u>
Total capital assets being depreciated, net	<u>\$ 165,994</u>			<u>\$ 151,311</u>
Electric fund capital assets, net	<u>\$ 182,279</u>			<u>\$ 151,311</u>
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital assets being depreciated:				
Plant and distributions systems	\$ 6,365,159	\$ 429,982	\$ -	\$ 6,795,141
Furniture and maintenance equipment	34,795	-	-	34,795
Vehicles	75,504	-	-	75,504
Total capital assets being depreciated	<u>\$ 6,475,458</u>	<u>\$ 429,982</u>	<u>\$ -</u>	<u>\$ 6,905,440</u>
Less accumulated depreciation for:				
Plant and distributions systems	\$ 2,963,114	\$ 132,491	\$ -	\$ 3,095,605
Furniture and maintenance equipment	34,795	-	-	34,795
Vehicles	75,504	-	-	75,504
Total capital assets being depreciated	<u>\$ 3,073,413</u>	<u>\$ 132,491</u>	<u>\$ -</u>	<u>\$ 3,205,904</u>
Total capital assets being depreciated, net	<u>\$ 3,402,045</u>			<u>\$ 3,699,536</u>
Water and sewer capital assets, net	<u>\$ 3,402,045</u>			<u>\$ 3,699,536</u>
Business-type activities capital assets, net	<u>\$ 3,584,324</u>			<u>\$ 3,850,847</u>

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

5. Construction Commitments

The Town has no active construction projects or commitments with contractors at June 30, 2021.

B. Liabilities

1. Pension Plan Obligations

a. Local Governmental Employees' Retirement System

The Town of Fountain elected effective January 2012, to participate in the Local Governmental Employees' Retirement System (LGERS) for the law enforcement officers only. Effective November 2014, the Town no longer employs law enforcement officers and has discontinued contributions to LGERS.

Pension deferral inflows were calculated and are not material or reflected in these financial statements.

2. Other Postemployment Benefits

The Town is obligated for no postemployment benefits.

3. Other Employment Benefits

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

3. Deferred Outflows and Inflows of Resources

There were no deferred outflows of resources at year-end.

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

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

Enterprise Funds:	
General Fund:	
Taxes receivable	<u>\$ 25,540</u>

4. Risk Management

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

The Town's insurance coverage does not cover losses resulting from floods.

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

5. Direct Borrowing Note

The general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Direct borrowings at June 30, 2021 are comprised of the following:

Serviced by the Water and Sewer Fund

\$281,250 2019 NC Department of Environmental Quality bond due in annual installments of \$14,062 at an interest rate of 0% due 2039	<u>\$ 253,125</u>
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Town of Fountain, North Carolina
Notes to the Financial Statements
For the Year Ended June 30, 2021

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

<u>Year ended June 30</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 14,062	\$ -
2023	14,062	-
2024	14,062	-
2025	14,062	-
2026	14,062	-
2027-2031	70,310	-
2032-2036	70,310	-
2037-2041	42,195	-
	<u>\$ 253,125</u>	<u>\$ -</u>

The Town has pledged future water and sewer customer revenues to repay the loan. The note contains provision that an event of default would result in: (1) declare the unpaid principal components of the Installment Payments immediately due and payable, (2) proceed by appropriate court action to enforce the Town's performance of the applicable covenants of this Agreement or to recover for the breach thereof, (3) as provided in the Project Fund Agreement, pay over any balance remaining in the Project Fund to be applied against outstanding Required Payments in any manner DEQ may reasonably deem appropriate, and (4) avail itself of all available remedies under the Agreement, including execution and foreclosure and recovery of attorney's fees and other expenses.

6. Direct Placement Note

In May 2015 the Town entered into a contract with USDA to borrow \$210,000 to purchase a firetruck. The financing agreement requires 20 annual payments of \$14,778 (including interest) beginning May 19, 2016 at an interest rate of 3.5%. The asset is pledged as collateral for the debt.

Annual debt service payments of the direct placement as of June 30, 2021, including \$44,550 of interest, are as follows:

<u>Year ended June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 9,129	\$ 5,649
2023	9,449	5,329
2024	9,766	5,012
2025	10,122	4,656
2026	10,476	4,302
2027-2031	58,131	15,759
2032-2036	54,272	3,843
	<u>\$ 161,345</u>	<u>\$ 44,550</u>

At June 30, 2021, the Town of Fountain had a legal debt margin of \$2,033,545.

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

7. Changes in Long-Term Liabilities

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 1,146	\$ 250	\$ -	\$ 1,396	\$ 1,396
Direct placement note	170,168	-	8,823	161,345	8,506
	<u>171,314</u>	<u>250</u>	<u>8,823</u>	<u>162,741</u>	<u>9,902</u>
Business-type activities:					
Compensated absences	4,584	-	-	4,584	4,584
Direct borrowing note	267,187	-	14,062	253,125	14,062
	<u>\$ 271,771</u>	<u>\$ -</u>	<u>\$ 14,062</u>	<u>\$ 257,709</u>	<u>\$ 18,646</u>

8. Claims, Judgements, and Contingent Liabilities

No claims or judgements existed at June 30, 2021.

9. Interfund Balances and Activities

There were no interfund transfer during the year.

There were no interfund receivable/payable at year end.

10. 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	\$ 611,106
Less:	
Prepaid items	9,737
Stabilization by State Statute	17,581
Streets-Powell Bill	50,522
Remaining Fund Balance	533,266

The Town of Fountain has not adopted a minimum fund balance policy.

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

IV. Prior Period Adjustment

The beginning net position of the General Fund had to be adjusted due to the prior year accounting errors.

General Fund - adjustment due to prior year error in posting accruals	\$(67,566)
Governmental Activities - adjustment due to prior year error in posting accruals	\$(67,566)

V. Related Party Transaction

The Town has a contract with the Fountain Rural Fire Association, Inc. (Association) for fire protection. The Town has purchased a fire truck for use by the Association. The Town of Fountain has no equity interest in the Fountain Rural Fire Association, Inc. so no equity interest has been reflected in the financial statements at June 30, 2021.

VI. 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. Subsequent Events

As of November 26, 2021, the date of the completion of the financial statements, there were no material subsequent events that were required to be reported.

Individual Fund Statements and Schedules

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Ad valorem taxes:			
Taxes		\$ 163,039	\$ 163,039
Interest	-	124	124
Total	<u>\$ 134,500</u>	<u>\$ 163,163</u>	<u>\$ 163,163</u>
Other taxes and licenses:			
Motor vehicle licenses	\$ -	\$ -	\$ -
Zoning permits	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrestricted intergovernmental:			
Local option sales taxes		\$ 108,950	\$ 108,950
Payments in lieu of taxes		-	-
Tax refunds		2,546	2,546
Utilities sales tax		21,932	21,932
Beer and wine tax		1,788	1,788
Total	<u>\$ 132,100</u>	<u>\$ 135,216</u>	<u>\$ 135,216</u>
Restricted intergovernmental:			
Solid waste disposal tax		\$ 318	\$ 318
Powell Bill allocation		13,425	13,425
Total	<u>\$ 15,000</u>	<u>\$ 13,743</u>	<u>\$ 13,743</u>
Sales and services:			
Solid waste disposal fees		\$ 26,901	\$ 26,901
Cemetery fees		8,575	8,575
Rent		300	300
Total	<u>\$ 30,000</u>	<u>\$ 35,776</u>	<u>\$ 35,776</u>
Investment earnings		<u>\$ 809</u>	<u>\$ 809</u>
Miscellaneous:			
Other miscellaneous		\$ 2,050	2,050
Total	<u>\$ -</u>	<u>\$ 2,050</u>	<u>\$ 2,050</u>
Total Revenues	<u>\$ 311,600</u>	<u>\$ 350,757</u>	<u>\$ 39,157</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Expenditures			
General Government:			
Governing Body:			
Salaries and employee benefits	\$ -	\$ 15,546	\$ -
Professional services	-	21,384	-
Other operating expenditures	-	171	-
Total	<u>-</u>	<u>\$ 37,101</u>	<u>\$ -</u>
Administration:			
Salaries and employee benefits	\$ -	\$ 12,396	\$ -
Other operating expenditures	-	36,344	-
Capital outlay	-	-	-
Total	<u>-</u>	<u>\$ 48,740</u>	<u>\$ -</u>
Total General Government	<u>\$ 114,380</u>	<u>\$ 85,841</u>	<u>\$ 28,539</u>
Public Safety:			
Fire and Rescue:			
Operating expenditures	\$ -	\$ 33,144	\$ -
Total Public Safety	<u>\$ 38,150</u>	<u>\$ 33,144</u>	<u>\$ 5,006</u>
Transportation:			
Streets and Highways:			
Salaries and employee benefits	\$ -	\$ 30,867	\$ -
Other operating expenditures	-	33,375	-
Capital outlay	-	-	-
Total Transportation	<u>\$ 81,300</u>	<u>\$ 64,242</u>	<u>\$ 17,058</u>
Environmental Protection:			
Solid Waste:			
Contracted services	\$ -	\$ 18,798	\$ -
Other operating expenditures	-	-	-
Capital outlay	-	-	-
Total Environmental Protection	<u>\$ 20,500</u>	<u>\$ 18,798</u>	<u>\$ 1,702</u>
Cemetery:			
Operating expenditures	<u>\$ 7,600</u>	<u>\$ 6,117</u>	<u>\$ 1,483</u>
Total Environmental Protection	<u>\$ 28,100</u>	<u>\$ 24,915</u>	<u>\$ 3,185</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Cultural and Recreational:			
Library and Community Building			
Operating expenditures	\$ -	\$ 8,695	\$ -
Parks and recreation	\$ -	2,437	-
Wellness and Need centers	-	13,500	-
Total Cultural and Recreational	<u>\$ 34,892</u>	<u>\$ 24,632</u>	<u>\$ 10,260</u>
Debt Service:			
Principal	\$ -	\$ 8,823	\$ -
Interest	-	5,955	-
Total	<u>\$ 14,778</u>	<u>\$ 14,778</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 311,600</u>	<u>\$ 247,552</u>	<u>\$ 64,048</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 103,205</u>	<u>\$ 103,205</u>
Other Financing Sources (uses):			
Transfers to Other Funds:			
Water and Sewer Fund	\$ -	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance appropriated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u>\$ 103,205</u>	<u><u>\$ 103,205</u></u>
Fund Balances			
Beginning of year		575,467	
Prior period adjustment		(67,566)	
End of year		<u><u>\$ 611,106</u></u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Operating Revenues:			
Electricity sales	\$ 591,250	\$ 625,671	\$ 34,421
Other operating revenues	64,300	44,262	(20,038)
Total Operating Revenues	<u>\$ 655,550</u>	<u>\$ 669,933</u>	<u>\$ 14,383</u>
Nonoperating Revenues:			
Interest earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Revenues	<u>\$ 655,550</u>	<u>\$ 669,933</u>	<u>\$ 14,383</u>
Expenditures			
Electrical Operations:			
Salaries and employee benefits	\$ -	\$ 196,944	\$ -
Equipment repair	-	22,486	-
Other operating expenditures	-	45,809	-
Contingency reserve	-	-	-
Total	<u>\$ 271,000</u>	<u>\$ 265,239</u>	<u>\$ 5,761</u>
Electrical power purchases	<u>384,550</u>	<u>338,785</u>	<u>45,765</u>
Debt Service:			
Interest and other charges	\$ -	\$ -	\$ -
Principal retirement	-	-	-
Total Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Capital Outlay:			
Equipment	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Total Expenditures	<u>\$ 655,550</u>	<u>\$ 604,024</u>	<u>\$ 51,526</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 65,909</u>	<u>\$ 65,909</u>
Other Financing Sources (Uses)			
Fund balance appropriated	\$ -	\$ -	\$ -
Transfers	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ 65,909</u>	<u>\$ 65,909</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Depreciation		(14,683)	
Capital contributions		-	
Capital outlay		-	
Total		<u>\$ (14,683)</u>	
Change in Net Position		<u>\$ 51,226</u>	

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

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Water sales	\$ 146,000	\$ 147,133	\$ 1,133
Sewer charges	110,000	107,688	(2,312)
Total	\$ 256,000	\$ 254,821	\$ (1,179)
Other operating revenues	\$ 447,882	\$ 54,731	\$ (393,151)
Total operating revenues	\$ 703,882	\$ 309,552	\$ (394,330)
Nonoperating revenues:			
Interest earnings	-	-	-
Total Revenues	\$ 703,882	\$ 309,552	\$ (394,330)
Expenditures:			
Water treatment and distribution:			
Salaries and employee benefits	\$ -	\$ 15,410	\$ -
Water purchases	-	76,520	-
Contract services	-	1,208	-
Equipment repairs	-	20,100	-
Other operating expenditures	-	8,516	-
Contingency reserve	-	-	-
Total	\$ 156,000	\$ 121,754	\$ 34,246
Waste collection and treatment:			
Sewage collection system:			
Salaries and employee benefits	\$ -	\$ 15,390	\$ -
Sewer processing	-	52,143	-
Equipment repairs	-	18,958	-
Other operating expenditures	-	9,000	-
Contingency reserve	-	-	-
Total	\$ 103,838	\$ 95,491	\$ 8,347
Capital outlay:			
Miscellaneous water	\$ 429,982	\$ 429,982	\$ -
Debt service:			
Principal retirement	\$ 14,062	\$ 14,062	\$ -
Total Expenditures	\$ 703,882	\$ 661,289	\$ 42,593
Revenues Over Expenditures	\$ -	\$ (351,737)	\$ (351,737)
Other financing sources (uses):			
Transfers from other funds:			
General Fund	\$ -	\$ -	\$ -
Fund balance appropriation	-	-	-
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ -
Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (351,737)	\$ (351,737)

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

Revenues and other sources over expenditures and other uses	<u>\$ (351,737)</u>
Reconciling items:	
Capital outlay	429,982
Capital contributions	429,982
Depreciation	(132,491)
Principal retirement	14,062
Total	<u>\$ 741,535</u>
Change in net position	<u><u>\$ 389,798</u></u>

Town of Fountain, North Carolina
Water and Sewer Capital Project Fund - 2016 CDBG Infrastructure
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
From Inception and For the Fiscal Year Ended June 30, 2021

	Project	Actual			Variance
	Authorization	Prior	Current	Total to	Favorable
		Years	Year	Date	(Unfavorable)
Revenues:					
Restricted intergovernmental revenues					
CDBG	\$ 1,915,000	\$ 1,485,018	\$ 429,982	\$ 1,915,000	\$ -
Total Revenues	<u>\$ 1,915,000</u>	<u>\$ 1,485,018</u>	<u>\$ 429,982</u>	<u>\$ 1,915,000</u>	<u>\$ -</u>
Expenditures:					
Construction	\$ 1,724,000	\$ 1,318,874	\$ 405,126	\$ 1,724,000	\$ -
Administration	191,000	166,144	24,856	191,000	-
Contingency	-	-	-	-	-
Total Expenditures	<u>1,915,000</u>	<u>1,485,018</u>	<u>429,982</u>	<u>1,915,000</u>	<u>-</u>
Excess (Deficit) of Revenues Over					
(Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Schedules

This section contains additional information on property taxes.

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

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

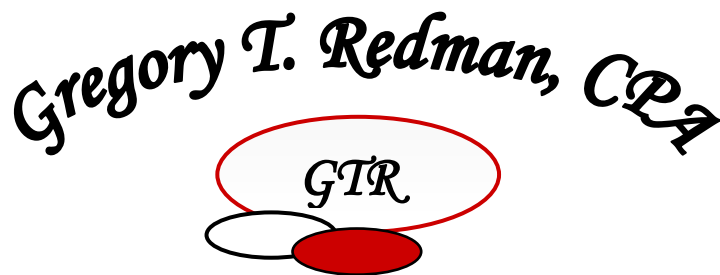
Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections and Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 167,927	\$ 163,474	\$ 4,453
2019-2020	3,973	-	162	3,011
2018-2019	2,385	-	100	2,185
2017-2018	3,151	-	-	3,151
2016-2017	2,115	-	104	2,011
2015-2016	1,672	-	-	1,672
2014-2015	2,056	-	102	1,954
2013-2014	2,182	-	171	1,711
2012-2013	2,705	-	-	2,705
2011-2012	1,613	-	163	1,450
2010-2011	1,237	-	-	1,237
Total	<u>\$ 23,089</u>	<u>\$ 167,927</u>	<u>\$ 164,276</u>	<u>\$ 25,540</u>

Reconciliation with Revenues:

Ad valorem taxes - General Fund	\$ 163,163
Reconciling items:	
Interest collected	(124)
Discounts, write-offs and releases	1,237
Total Collections and Credits	<u>\$ 164,276</u>

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at current rate	\$ 25,699,974	0.5875	\$ 150,987	\$ 150,987	\$ -
Motor vehicles	2,883,404	0.5875	16,940	-	16,940
Total Property Valuation	<u>\$ 28,583,378</u>				
Net Levy			\$ 167,927	\$ 150,987	\$ 16,940
Uncollected taxes at June 30, 2021			<u>4,453</u>	<u>4,453</u>	<u>-</u>
Current Year's Taxes Collected			<u>\$ 163,474</u>	<u>\$ 146,534</u>	<u>\$ 16,940</u>
Current Levy Collection Percentage			<u>97.35%</u>	<u>97.05%</u>	<u>100.00%</u>



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American Institute of
Certified Public Accountants

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

Independent Auditor's Report

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Fountain, 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 Fountain, North Carolina's basic financial statements, and have issued my report thereon dated November 26, 2021.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operating of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Town of Fountain'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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questions costs, I identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be material weaknesses reported as 2021-001 and 2021-002.

Compliance and Other Matters

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

Town of Fountain's Response to Findings

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

Purpose of this Report

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

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

Gregory T. Redman, CPA
Tarboro, North Carolina
November 26, 2021

Section I – Summary of Auditor’s Results

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

Section II – Financial Statement Findings

Material Weakness

Finding 2021-001

Segregation of Duties

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

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

Questioned Cost: N/A

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has limited employees to handle all financial transactions.

Identification of a repeat finding: Yes

Recommendation: The Town should examine its internal control procedures and segregate duties within the Town's accounting function. As much as possible, the Town should use alternative controls to compensate for the lack of separation. The Governing Board should provide some of these controls.

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

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

Section II – Financial Statement Findings

Material Weakness

Finding 2021-002

Prior Period Adjustments

Criteria: The beginning balance of net position at July 1 should match the ending balance of net position at June 30 of the prior year.

Condition: General Fund net position had to be adjusted by (\$61,566).

Effect: All ending balances should be reported correctly to give the readers of the financial statements accurate information.

Cause: Each of the adjustments were due to various pension and other accruals that were not posted properly.

Identification of
Report Finding: This is not a repeat finding.

Recommendation: All due diligence should be exercised to ensure that the accounting records report the net position of each fund correctly at year-end.

Views of responsible
officials and planned
corrective actions: Management agrees with this finding.

Shirley Mitchell
Mayor

Town of Fountain
P.O. Box 134
Fountain, NC 27829
(252)749-2881 Fax (252)749-1305

Letha Hines
Town Clerk

Town of Fountain
Fountain, North Carolina
Corrective Action Plan
For the Year Ended June 30, 2021

Section II – Financial Statement Findings

Finding 2021-001

Name of Contact Person:

Letha Hines
Town Clerk

Corrective Action:

The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation. The governing board will become more involved in providing some of these controls.

Proposed Completion Date:

The Board will implement the above procedure immediately.

Finding 2021-002

Name of Contact Person:

Letha Hines
Town Clerk

Corrective Action:

We have made the appropriate changes to our accounting software and posting of adjustments. We do not believe this will be an issue in the future.

Proposed Completion Date:

The Board will implement the above procedure immediately.

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

Finding 2020-001 Segregation of Duties

Status: Reported as Finding 2021-001 in the current year.